

سكى لاجىو

# FINANCIAL TIMES

**Hollywood hero**  
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World Business Newspaper

FRIDAY JULY 19 1996

## Russian bank chief attacks rivals over talk of bankruptcy

Russia's fifth largest bank, Inkombank, accused "vengeful" government officials and "dishonest" rivals of provoking rumours that the institution was on the brink of bankruptcy, prompting withdrawals of \$1.5 billion (332m) since the beginning of the month. Central bank officials and senior members of the government in Moscow have publicly vouched for Inkombank's solidity over the past few days. Page 14

**BASF**, the German chemicals group, is to close four plants at its main production site in Ludwigshafen, Germany, with the loss of 500 jobs. The move was prompted by the decline of the European textiles and leather markets. Page 15

**EU set for action on anti-Cuba law**: European Union ambassadors moved to ensure they could introduce rapid retaliatory action against the US if it passed legislation which would penalise foreign companies which "traffick" in confiscated assets in Cuba. Page 6

**Russian PM moves to end power crisis**: Russian prime minister Victor Chernomyrdin ordered an emergency shipment of 10,000 tonnes of fuel to the far east to end an energy crisis which has hit hospitals, schools and local government offices. Page 3

**AT&T shares hit by warnings**: Shares in AT&T, the largest US telephone company, fell 5 per cent after its chief financial officer Rick Miller warned that intense competition in the deregulated US market would result in less growth in its domestic consumer business than last year. Page 15

**US trade deficit worsens**: The US trade deficit increased for the third consecutive month, rising by more than 18 per cent to \$10.5bn in May. Page 8

**Investors sought for Stonehenge plan**



Stonehenge (above), the most famous ancient monument in the UK, is to get a new lease of life under plans by English Heritage, the government-financed organisation which administers the 4,000-year-old ring of stones. It is seeking \$25.5m (£3.7m) from private companies to contribute towards the construction of a new visitor centre on the site. Page 14

**HK exchange chief to resign**: Hong Kong Stock Exchange chief executive Paul Chow is to resign at the end of January. Page 7

**Gold price hits Anglo American**: Higher gold prices helped Anglo American's gold and uranium division report a 43 per cent rise in profits to \$328m (\$73.6m) for the quarter to the end of June. Page 18

**Japanese trade surplus down 40%**: Japan's trade surplus recorded the biggest half-yearly drop in 16 years, falling by 40 per cent to ¥3,111bn (\$26.6bn) in the first six months of this year. Page 7

**Banamat, Mexico's largest financial group**, may sell part of its brokerage firm, Acofval, to complete a \$1bn recapitalisation for its banking arm, Banamat. Page 16

**World Bank warns Morocco, Tunisia**: The World Bank has warned Morocco and Tunisia that they are falling behind other developing countries, a week after it called on them to accelerate their integration with Europe. Page 4

**Doubt over South Pacific concessions**: Australian foreign minister Alexander Downer warned that concessions in the South Pacific Regional Trade and Economic Agreement may not continue indefinitely. Page 5

**'Dudayev still alive'** claims: Rebel Chechen field commander Salaman Raduyev, reported killed in a battle against Russian troops in January, reappeared in Chechnya claiming that separatist leader Dzhokhar Dudayev was also alive, though in a critical condition.

**Yangtze flood threat**: China has mobilised more than 1m people to reinforce the banks of the Yangtze after the country's longest river swelled to its third highest level on record.

NEW YORK STOCK MARKET INDICES	
New York Composite	5,222.12 (+40.20)
Dow Jones Ind. Av.	3,422.12 (+40.20)
NASDAQ Composite	1,161.07 (+15.22)
LONDON	
Europe and Far East	2,887.26 (+12.15)
CAC40	2,895.22 (+13.05)
DAX	3,892.4 (+38.2)
FT-SE 100	2,889.42 (+12.54)
Nikkei	21,269.47 (+133.54)

US LIQUIDITY RATES	
Federal Funds	5.75%
3-mth Term Bill	5.2375%
Long Bond	8.01%
Yield	5.95%

OTHER RATES	
3-mth Interbank	95%
10 yr Bill	106.65 (105.80)
90 day Euro	98.90 (98.54)
Japan 10 yr JGB	97.3689 (97.3118)

MONTHLY SEA OIL (Average)	
Brent Dubai	18.975 (18.9)

## Anti-terror and safety teams probe TWA crash

By Jurek Martin in Washington and Michael Stappeler in London

**Clinton says no evidence yet that a bomb caused disaster**

rumors. This was tightened yesterday but officials reported no new special alerts. The US has been on heightened alert since the truck bombing of the apartment complex housing American servicemen near Dhahran, Saudi Arabia, last month. The crash is likely to further damage passenger confidence, shaken in May by the crash of a ValuJet DC9 in Florida, which killed 110 people. Initial

Safety and anti-terrorism teams began parallel investigations yesterday into Wednesday night's crash of a TWA Boeing 747 off Long Island, in which 238 people died. A National Transportation Safety Board team arrived at the scene early yesterday, while the FBI opened its own investigation, assisted by anti-terrorism specialists from the New York City police department. President Bill Clinton said yesterday there was no far evidence a terrorist bomb had caused the crash of Flight 800, which had been bound for Charles de Gaulle airport in Paris. The aircraft appeared to break into two and burst into flames before crashing into the Atlantic Ocean 70 miles east of New York City. Rescuers found no survivors. Although comparisons were

prompted with the explosion which destroyed a Pan-American aircraft above Lockerbie, Scotland, in 1988, Mr Clinton warned the American people not to "jump to conclusions" and blame international terrorists for the TWA disaster. Recalling the initial speculation of foreign terrorist involvement in last year's bombing of a federal building in Oklahoma City, he said "we have no evidence on this flight that would indicate the cause of the accident."

Ms Janet Reno, the attorney general, confirmed that the FBI and state law enforcement agencies were investigating at least two telephone calls claiming responsibility. Both, she said, were received after the crash had become public knowledge. Mr Clinton said: "Sometimes such calls are accurate and sometimes they are attempting to ride along on a tragedy." Neither Mr Clinton nor Ms Reno would comment on the nature of the messages. The calamity came just 48 hours before tonight's formal opening of the Olympic Games in Atlanta, Georgia. The city was already under tight security against foreign and domestic ter-

## UN forum to set limits over global warming

By Frances Williams in Geneva

The world's governments yesterday agreed to set tough, legally binding targets on greenhouse gas emissions beyond 2000 in spite of strong resistance from several leading fossil fuel producers. A declaration by environment ministers at the end of a two-week meeting of the United Nations climate change convention marks the first time countries have committed themselves to negotiating mandatory targets for curbing emissions of gases, mainly carbon dioxide, that are warming the earth's atmosphere. Existing targets, which commit industrialised countries to returning to 1990 levels of greenhouse gas emissions by 2000, are voluntary and, on present trends, will be missed almost universally. Conference observers said a US announcement on Wednesday in support of legally binding targets was pivotal. Mr John Gummer, UK environment secretary, was also apparently influential in closed-door negotiations on Wednesday night in persuading the rest of the European Union to support Washington's position. The declaration calls for negotiators to agree "quantified legally binding objectives for emission limitations and significant overall reductions within specified timeframes". These would be endorsed at another conference to be held in Kyoto, Japan, in December 1997. Australia and New Zealand yesterday said they had reservations about the "legally binding" provision, but could support



Egyptian president Hosni Mubarak (right) greeting Benjamin Netanyahu yesterday at the presidential palace in Cairo where the new Israeli prime minister said the pair had "cleared the air" over the Middle East peace process Report, Page 12

The IPCC report, the work of more than 1,000 scientists, concluded for the first time that human activity, mostly through the burning of fossil fuels, is causing global warming. This has potentially damaging consequences, including a greater risk of natural disasters, famine and disease. The ministerial declaration describes the IPCC report as "comprehensive and authoritative" and a basis for "urgent strengthening action" to curtail "dangerous" interference with the climate system. Mr Miching Zammit Cutiljar, executive secretary of the climate change convention, yesterday said the declaration had the overwhelming support of the 150 governments attending the conference. "It is a major step forward", he said. Environmental groups also welcomed the declaration but expressed disappointment that the conference had not decided what the mandatory targets should actually be.

## Fed chief helps spur US share prices

By Michael Prowse in Washington

After the turmoil of recent days it was welcome news for Wall Street. By early afternoon, the Dow Jones Industrial Average had risen 81.01 points to 5,457.89. The benchmark Treasury 30-year bond rose more than a point, pushing the yield down to 6.95 per cent. Mr Greenspan said the Fed stood ready to raise interest rates should economic figures "persuasively suggest an ongoing intensification of inflation pressures that would jeopardise the durability of the economic expansion". But he released economic forecasts suggesting the Fed believes the risk of significantly higher inflation is not great. The forecasts show a decline in economic growth next year to 1.75-2.25 per cent against 2.5-2.75 per cent this year. Consumer prices are expected to rise 3-3.25 per cent this year, reflecting a temporary surge in energy prices. But inflation is expected to decline to 2.75-3.00 per cent next year as the economy slows. "There was

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## Investor pulls out of Total over fears of Burma boycott

By Ted Bernacko in Kanbantak, Burma, and David Owen in Paris

A leading Danish pension fund has sold its \$10.6m holding in Total, the French energy group, because of fears that Total's investment in Burma might lead to an international boycott of the company's products. The move hit Total shares in early trading on the Paris stock exchange, although they recovered to close down just FF1.80, or 0.4 per cent, at FF9369.40. This compared with a 0.3 per cent improvement in the shares of EN Aquitaine, its rival, and a gain of 0.6 per cent for the benchmark CAC40 index. Kommuneinvest's pension fund, one of Denmark's leading pension funds, said it had sold all its Total shares last Monday. This month brewer Carlsberg of Denmark and Heineken of the Netherlands both announced they were ending business dealings in Burma, as consumer pres-

sure on companies doing business in Burma, largely confined to the US, has spread to Europe. Mr Niels Hougaard, the pension fund's chief of investments, said the decision had been taken in anticipation of "a possible international boycott of Total due to its engagement in Burma and because of a televised report showing the intolerable living conditions in that country". Domestic pressure against the Burmese military regime has been mounting in Denmark since the death last month of the country's honorary consul in a Burmese jail. The consul, Mr James "Leo" Nichols, a financial backer and friend of Burmese democracy leader and Nobel Prize winner Ms Aung Mye San Suu Kyi, was serving a three-year sentence for possessing telephones and a fax machine without a permit. This is developing Burma's largest foreign investment project to date - a \$1.2m venture to

produce natural gas for export to Thailand. The company has said it has no intention of pulling out and that the project is in the long-term interest of the Burmese population. Total's pipeline project, a joint venture with Inco of the US, PTT of Thailand and Burma's state-owned Myanmar Oil and Gas Enterprise, has been harshly criticised by activists in western countries. The project involves selling 53m cubic feet of offshore natural gas to Thailand via a pipeline across an area of Burma that has been the site of armed ethnic insurgency. Claims by critics that forced labour is being used on the project were rejected by Total officials during a tour of the project site on Tuesday. Total last night said in a statement it was "contrary to fact" to suggest that it used "forced labour or child labour of any kind, either directly or indirectly".

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Le Floch-Prigent's replacement as chairman of French rail company almost certain

SNCF chief loses appeal against detention

By David Owen in Paris

A Paris court yesterday rejected an appeal by Mr Loik Le Floch-Prigent against his detention in a south Paris jail, making it virtually certain he will soon be replaced as head of SNCF...

investigation by Ms Eva Joly, an investigating magistrate, for alleged misuse of corporate assets, abuse of confidence, spreading false information and false accounting...

"very disappointed" by the court's decision. Mr Le Floch-Prigent was appointed SNCF head in December after the wave of public-sector strikes that paralysed France in response to the government's controversial social security reforms...

He had been released yesterday - which would have allowed him to stay in his post - he would have been at best preoccupied and at worst a lame duck...



Le Floch-Prigent won plaudits for his handling of unions

EUROPEAN NEWS DIGEST

Cannes mayor extortion probe

The mayor of the French Riviera resort of Cannes was yesterday questioned by police investigating an alleged attempt to extort money from London Clubs, the UK casino operator...

Russia toughens its visa laws

Foreigners who have not paid their local taxes may be barred from leaving Russia under a new law on travel into and out of the country passed by the parliament yesterday...

German exporters tap into E Europe

By Andrew Fisher in Frankfurt

German exports to eastern Europe have risen sharply since 1993 and now exceed those to the US, and more of its direct investments go to the region than to south-east Asia, according to the Bundesbank...

Expectations that the Bundesbank will ease monetary policies further, possibly at next week's council meeting, were reinforced yesterday by an unexpected fall in the business climate index of the Ifo economic research institute...

Goldman Sachs said the Ifo index's decline was "a reminder that economic recovery in Germany remained very fragile". A continued D-mark rise could undermine business sentiment even further...

biggest market in the region, but German exports there fell by 10 per cent to DM10bn because of political and economic uncertainty. German sales to both Poland and Hungary were bigger than those to Russia last year...

Ankara delays judicial changes

By John Barham in Ankara and Corner Middelmeil in London

Turkey's new Islamist government backed down yesterday from a plan to move more than 1,200 judges and prosecutors to other jobs within the judiciary...

Paris needles partner with textiles subsidies

By Wolfgang Münchau in Frankfurt and David Owen in Paris

German textile producers have called on the European Commission to veto a French government aid plan worth FF2bn (\$385m) a year for the hard-pressed French textile, clothing and shoe industries...

The European Commission may next week approve the third FF2bn (\$371m) tranche of a FF20bn package to Air France, the state-owned airline, Neil Buckley reports from Brussels. The aid was approved in 1994, but payment of the final instalment was subject to conditions connected with the airline's restructuring programme...

70 per cent of employees were on low salaries, defined as up to one and a half times the French minimum wage. Scrutiny of the plan by Brussels is continuing in the wake of a meeting of experts last week, but no decision is expected before the month's end...

Brussels probe into Danish shipyards aid

By Neil Buckley in Brussels

The European Commission has launched an investigation into whether state aid paid to Danish shipyards between 1987 and 1993 may have breached EU aid ceilings. It is examining 65 cases where it says it may have been misled by the price for construction of vessels...

Denmark, which has been critical of state aid payments to German shipyards and has boasted about its own shipyards' ability to operate without state aid in recent years. The investigation is likely to last until late this year. If it finds that aid breached EU rules, the Commission could demand that the excess amounts be repaid...

Italy's producer prices decline

Italian producer prices recorded negative growth in May of minus 0.2 per cent, the first such fall since December 1991, according to Istat, the state statistics institute. The main direct cause for the drop was the movement in newsprint and energy product prices, down 1.1 per cent and 1 per cent respectively...

Lithuania to bail out large bank

The government of the Baltic state of Lithuania has decided to bail out the State Commercial Bank, one of the largest state-owned banks, to avert a new banking crisis. "The cabinet has decided to save the bank, it is not bankrupt," the government said...

Albania names local polls date

Local elections will be held in Albania in late October, President Sali Berisha said yesterday. The decision was welcomed by the opposition Socialist party, which, along with other opposition parties, withdrew from this year's general election after alleging government violence and manipulation...

Payment system hurries the pace in debate on Emu

Payments systems, until only a few years ago, were widely considered to be best left in the words of a senior European central banker, to "garage mechanics"...

relationship between the "ins" and "outs" could already be, to a great extent, fixed by technical rules on access to Target. A detailed technical paper is due out next month, in fact...

Target, which stands for Trans-European Automated Real-time Gross Settlement Express Transfer system, is designed as a communications link between the national payments systems of EU countries such as the UK's CHAPS or Germany's EIL-ZV...

banks, such as foreign exchange traders. In the \$1,200bn-a-day foreign exchange market, banks can quickly build up such large exposures to one another that even a matter of hours between payment of the two sides of a deal can constitute an unacceptable risk...

Mr Michael Lewis, a consultant with the Unisys information systems group, who claims to have coined the name Target while working at the Bank of England. While monetary policy officials are anxious to control commercial banks' access through Target to liquidity from the central bank, bank supervisors are eager to extend as much as possible the use of real time settlement systems like Target...

At this point the debate could move from the implementation of monetary union to the application of the rules of the single European market, which forbid discrimination against any member country. If, on the other hand, access to Target is too tightly limited, banks may bypass it and channel their payments through more traditional alternatives such as correspondent banks in euro countries or the existing private ECU clearing system...

George Graham

Italian on cons
German common to elect
Moscow to end crisis in

July 19 1996

# Italian parties agree on constitution review

By Robert Graham in Rome

Italy's political parties yesterday agreed a compromise deal paving the way for the first big overhaul of the country's constitution since it was introduced in 1948.

A special commission formed from both houses of the Italian parliament is to be set up to carry out a constitutional review by June 30 1997. Given the broad scope of the changes expected, this could prove a tight timetable to follow.

The centre-left government and the rightwing opposition have been at loggerheads since the new parliament opened two months ago about how to proceed on the constitutional reform both promised in their electoral campaigns.

The government has favoured tacking the issue via a parliamentary commission or commissions.

The opposition objected because this tends to give the government majority too direct a control, and proposed instead a constituent assembly independent of parliament and less likely to be influenced by the centre-left.

On Wednesday, the centre-left Olive Tree alliance pro-

posed establishing two 30-member commissions, one each for the chamber of deputies and the senate. But after discussions between Mr Massimo D'Alema, the leader of the Party of the Democratic Left (PDS) - the dominant partner in the Olive Tree alliance - and Mr Silvio Berlusconi, the former prime minister and head of the rightwing opposition, this proposal was amended to a single bicameral commission.

This motion was put before parliament and the opposition abstained on the vote. The government's majority was assured yesterday when Mr Fausto Bertinotti, the leader of Reconstructed Communism (RC), said his party would vote for the resolution.

RC, formed from the hard left of the old Communists, is not part of the Olive Tree alliance but provides parliamentary support for the government.

The commission's brief is very wide. It will look at the form of the state to see to what extent Italy should adopt a more federal system. It will examine the roles of the two houses of parliament, which currently replicate each other's

functions to an unnecessary degree. The respective powers of the prime minister and head of state are also likely to be reviewed and changed.

The opposition, especially the rightwing National Alliance of Mr Gianfranco Fini, has been pressing for a move towards a semi-presidential system, close to that of France. The prime minister's powers are also likely to be enhanced - at present the prime minister cannot sack ministers.

A bicameral commission was used in 1993 to reform Italy's electoral processes, replacing the proportional representation system.

The new commission's proposals will need to be approved by both the chamber and senate, with two-thirds of both houses backing them.

Yesterday's compromise did not extend to another outstanding issue that has seriously hindered the operation of parliament.

This concerns a formula whereby the parties agree to get rid of the backlog of some 90 decrees inherited from the old legislature. Unless these decrees are quickly passed into law, all new business is liable to be delayed.

# West increases pressure on Serbs

By Laura Silber in Belgrade and Bruce Clark in London

Mr Richard Holbrooke, the US troubleshooter in former Yugoslavia, yesterday threw his weight behind warnings that the main Serb party will be banned from Bosnia's elections unless Mr Radovan Karadzic resigns as its leader.

On the eve of today's deadline for Mr Karadzic to step down as party chief, Mr Holbrooke warned that the Serbian Democratic party (SDS) would be "out of the elections" if it insisted on keeping an indicted war criminal at its helm.

UK officials, who have stressed the need for the elections to be as inclusive as possible, said they now anticipated that the SDS would be disqualified - with Mr Robert Frowick, the US diplomat in charge of the elections, overruling any members of the electoral commission who dissented from the move.

Mr Holbrooke yesterday held his second round of talks in two days with President Slobodan Milosevic of Serbia, who faces the threat of renewed sanctions unless he hands Mr Karadzic over to the United Nations war crimes tribunal.

Before the start of yesterday's talks, Mr Holbrooke announced that Mr Kijup



A UN forensic team removing evidence of war crimes from a mass grave at Cerska in Bosnia

accompanied by members of the Moslem-Croat Federation government and Bosnian businessmen, welcomed the invitation from Belgrade as recognizing a fact of life.

The stakes are now higher than ever for the international mediators intent on sticking to the year-long Dayton plan. If Mr Karadzic refuses to disappear from the political scene, the Moslem Party for Democratic Action has warned it will boycott the poll planned for September 14. On the other hand, the Serbs are likely to boycott the election if Mr Karadzic is not removed.

Ahead of his meeting with Mr Holbrooke, Mr Milosevic yesterday summoned Mr Miroslav Kraljevic, speaker of the Bosnian Serb assembly, and Mr Aleksa Buha, Bosnian Serb foreign minister, to Belgrade from Pale, their stronghold.

Arriving by helicopter, they were escorted by Mr Jovica Stamic, the powerful head of Mr Milosevic's secret police who has been an effective player in the politics of Serb-held Bosnia.

Against a background of reports in Belgrade that options were being considered for removing Mr Karadzic but not handing him over to the tribunal, Mr Holbrooke said it would be "misleading" to suggest that a deal was in the works.

Ganic, vice-president of Bosnia, would next week travel to Belgrade with a Bosnian trade delegation in the first visit since the outbreak of war in Bosnia. Originally proposed by Mr Milosevic, the visit appears to be a "carrot" aimed at persuading the Serbian president, who is anxious to end Serbia's economic and political isolation, of the advantages of working with the west and delivering Mr Karadzic. Mr Ganic, who will be

# Germany urges common system to elect MEPs

By Quentin Peel in London

Germany has thrown down a new challenge to the British government over Europe, calling for a common voting system for the European parliament, which would mean introducing proportional representation in the UK.

The plan has been put forward by Mr Werner Hoyer, the minister of state in the German foreign ministry, who is his country's chief negotiator in the ongoing EU intergovernmental conference.

In an article in today's Financial Times, he singles out the continuing British insistence on its first-past-the-post election system for members of the European parliament as one of the biggest obstacles in creating a genuine European democratic system.

"The absence of uniformity is one of the main obstacles to the emergence of a public that thinks of itself as European," Mr Hoyer said. "It casts doubt on the democratic legitimacy of the European parliament."

He points out that the swing of votes in Britain, the only country in the EU to use the direct voting method, has a marked impact on the strengths of the political groups in the parliament.

The European socialist group enjoys a 44-member lead in the European parliament, accounted for entirely by the British election result. The

British Labour party won 2.6m votes more than its Conservative rival, to gain that 44 seat advantage. To get the same lead in Germany, it would need a 12.5m vote advantage, Mr Hoyer says.

"Such blatant disproportionate representation of electors' intentions can no longer be defended," he says.

The German minister, who is a member of the Free Democratic Party in the German Bundestag, is calling for the EU intergovernmental conference to introduce a single system which would require a substantial degree of proportional representation in all member states. However, it would still leave enough flexibility for Britain to keep part of its old system.

He is proposing an EU-wide election system to be presented to the IGC, according to which the distribution of seats in the European parliament would be primarily determined according to proportional representation, taking account of the votes cast throughout the territory of a member state.

In addition, member states would be allowed to use the first-past-the post system, to distribute a maximum of two-thirds of a country's seats. The rest of the seats would be distributed so that the overall proportions would correspond to the total votes cast in each country.

Uniform system, page 12

# Moscow acts to end energy crisis in east

By Chrystis Freeland in Moscow

The Russian prime minister, Mr Victor Chernomyrdin, has ordered an emergency shipment of 10,000 tonnes of fuel to the far east to end an energy crisis which has all but paralysed the region.

Mr Yevgeny Nazdratenko, governor of the Primorsky region on Russia's Pacific coast, applauded the "brilliant" move but warned that a second power blackout could hit the area this autumn when the new shipment runs out.

Residents of Vladivostok, the region's capital, had only three hours of electricity yesterday as a power crisis which began earlier this week deepened. Hospitals, schools and local government offices were all hit by the shutdown.

Mr Nazdratenko blamed the blackouts on the federal government's failure to pay the \$150m (\$180m) bill which the military and state-owned defence factories owe to local power companies. The federal debt has created a cash squeeze at the power plants, which have been unable to make the advance payments required by fuel suppliers.

The Pacific Fleet, which is based in the province, also

provided stop-gap support, dipping into its own strategic reserves to offer 1,500 tonnes of fuel to two power plants near Vladivostok.

Mr Nazdratenko and other local officials said that this week's crisis has highlighted structural problems in the Russian economy which were obscured by this spring's intense political battle between President Boris Yeltsin and his Communist rival for the presidency.

The pugnacious far eastern governor said that his region, which shares a long and troubled border with China, can survive only if Moscow alters the energy and transport policies which have drastically raised the cost of living in the area. In the Soviet period, the government subsidised freight and fuel for distant regions.

Officials at United Energy Systems, the national electricity utility, warned that fuel stockpiles at power plants across the country had dipped dangerously low. As a consequence, they said, much of the country could suffer the sort of crippling power shortages now affecting the far east later this year. The most serious power cuts, officials said, were likely to be in Siberia and along the Pacific coast.

# THE PLACE OF THE FUTURE



## NEWPORT, SOUTH WALES

£1.7bn is being invested by the LG Group in a new manufacturing operation in Newport, South Wales. Within 10 years, it is set to become one of the biggest conglomerates in the world.

LG chose Newport because Wales is the UK's leading centre for consumer electronics. The area offered everything the company could wish for - an excellent site, fast worldwide communications, a highly trained workforce ready to fill their 6000+ job vacancies and all the help they needed from the people on the ground.

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# World Bank favourites slip in reform stakes

By Roula Kheif

Morocco and Tunisia, the two darlings of the World Bank in the Middle East and North Africa, are falling behind other developing countries, the World Bank has warned.

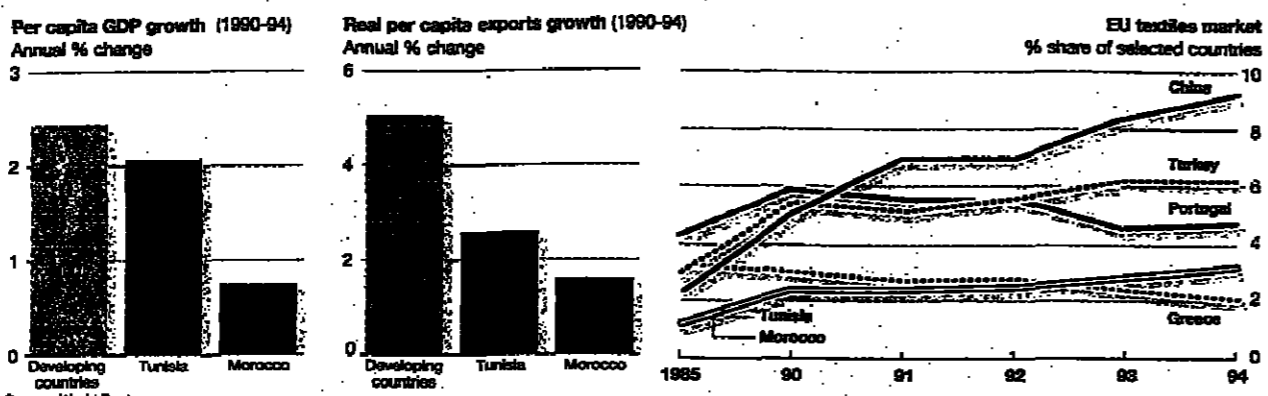
At seminars last week sponsored by the World Bank, Bank officials said the two countries must accelerate their integration with Europe to keep up with the rate of growth in production and international trade among developing countries.

While average per capita real exports in the developing world rose at 5 per cent a year between 1990 and 1994, the growth rate was only 2.5 per cent in Tunisia and about 1.5 per cent in Morocco. Compared with other developing countries, Morocco and Tunisia also recorded weaker per capita gross domestic product growth in the last four years.

Both countries have signed partnership accords with the European Union to create a free trade zone within 12 years but are struggling to implement the agreement, World Bank officials believe integration should occur much faster.

"The agreement with the EU

## Tunisia and Morocco: falling behind



will provide a very good environment and send a clear signal to local and foreign investment that governments have credible policies of integration," said Mr Christian Delvoie, World Bank division chief for the Maghreb region. "But 12 years is very long."

Morocco and Tunisia in the 1990s were committed to strict reform programmes under the auspices of the International Monetary Fund, which led to higher growth rates than in the rest of the Middle East and

North Africa region. Reforms also reined in inflation, lowered budget deficits and reduced poverty levels. But a World Bank official says Morocco and Tunisia "have not yet developed the incentives on the ground for exporters to be more aggressive."

Although both countries slightly increased their EU share of textiles exports (the main merchandise export) since 1985, their performance pales in comparison with the gains achieved on European

markets by other developing countries such as Turkey and China.

Bank officials tried to press the two countries into dismantling tariff barriers sooner. Pointing out that the level of protection remains high - about 40 per cent in Morocco and up to 30 per cent in Tunisia - they argued that governments should cut tariffs to discourage serving the local market and force local companies to be more competitive. Lower tariffs would also lead

to more realistic exchange rates which would help boost exports.

Governments were also urged to accelerate privatisation and increase flexibility in labour markets to help attract foreign investors. Tunisian officials estimate that the EU accord will harm the economy unless they can attract about \$200m of foreign direct investment a year outside the energy sector.

Total FDI into Tunisia stood at a mere \$500m last year, only \$5m of which was

outside the energy sector. Morocco fared slightly better, with about \$450m in 1995. A \$500m direct investment by South Korea's Daewoo should help lift Morocco's FDI levels.

The World Bank's prescriptions will not be easy for Morocco and Tunisia to swallow. Officials in both countries estimate that if barriers go down over 12 years, about a third of local industry will collapse. Concern over social instability and unemployment has often led both countries to tread carefully over economic reforms.

The flexibility the World Bank is urging will be particularly difficult for the paternalistic Tunisian government, which studies and plans every move, still effectively manages the private sector and has advanced more slowly than expected on privatisation.

The difficulty for Morocco is that the World Bank's recommendations come when the government is consumed with plans for constitutional reforms and political liberalisation. It is also attempting to narrow income disparities between the rural and urban population.

# Iraq's food for oil plan accepted

By Michael Littlejohns, United Nations Correspondent, in New York

Iraq's food-for-oil distribution plan was yesterday accepted by Mr Boutros Boutros Ghali, UN secretary-general, after weeks of intense negotiations.

Mr Boutros Ghali and Mr Abdul Amir al-Ambari, the Iraqi negotiator, signed the accord, which is subject to approval by the sanctions committee of the UN Security Council. There appears little doubt that the committee, headed by Mr Tono Eitel of Germany, will give its assent to a process that will place \$2bn-worth of Iraqi oil on world markets in six months.

The move came as the Security Council held further consultations in an attempt to gain access by international weapons inspectors to a site near Baghdad suspected of holding Iraqi chemical and biological armaments and possibly also missiles.

Once the oil begins to flow, extensions of the agreement are expected, to help relieve the plight of Iraqi civilians suffering from severe shortages of food and humanitarian supplies because of insufficient foreign exchange to pay for them.

Ensuring distribution of food and medicines was fair to all sections of the population including the rebellious Kurds, and that cash proceeds of oil sales were not diverted to prohibited uses held up the agreement. Mr Boutros Ghali declined to speculate when the final stage of implementation would be reached, but Mr Ambari said he hoped Iraq could start selling oil by "early in August".

This will be the first relaxation of UN-imposed sanctions since Iraq invaded Kuwait five years ago.

The secretary-general began reviewing Iraq's proposals last Monday. It was still not entirely certain last night that the US and Russia approved of the distribution plan but UN diplomats believe they would hesitate to oppose it.

# Burundi security talks under way

By Michèle Wrong and Agencies

Preparations for an East African military operation to halt the bloodletting in Burundi got tentatively under way yesterday, despite continuing uncertainty over whether the country's Tutsi community will accept the deployment or regard it as a hostile force.

Mr Julius Nyerere, the former Tanzanian president spearheading the Burundian peace process, hosted closed-door talks in Dar-es-Salaam between Mr Salim Ahmed Salim, secretary-general of the Organisation of African Union (OAU), the European Union's special envoy to Burundi and European and US diplomats.

Delegates were due to discuss financing, expected to come almost exclusively from the west, for an East African force of Ugandan, Tanzanian and Ethiopian troops that will, in theory, try to stop the conflict between the Tutsi-dominated army and Hutu rebels operating from Zaire.

Deployment of the force, first requested by Burundian leaders last month, was given strong backing at the OAU summit in Yaounde.

But diplomats said it was still unclear whether a "peace-keeping" or a "peace enforcement" force would be needed, given recent contradictory signals coming from Bujumbura, where the Tutsi prime minister has backtracked on his original plea for help and warned of the army being "neutralised".

Burundian officials are drawing up their own plans for the mandate for the force, which the army wants under its own command, a condition unlikely to be accepted by regional governments determined to prove their neutrality.

In Bujumbura, university students, for the most part Tutsis, yesterday called on the army to recruit young people to fight the rebels.

# Bankers Trust lost \$23m in copper price plunge

By Richard Waters in New York

The Sumitomo-induced plunge in copper prices in May left Bankers Trust nursing losses of \$23m in its commodity derivatives business, the New York bank said yesterday.

Meanwhile, other US banks which are among the biggest creditors of Sumitomo said they remained confident the Japanese company would meet its obligations, in spite of questions over the nature of their lending.

Chase Manhattan, the biggest US bank, which is understood to have lent \$500m linked to transactions conducted by Sumitomo's sacked copper trader Mr Yasuo Hamanaka, said: "We are very comfortable with our valued relationship with Sumitomo, and fully expect payment

under any contracts we have with them."

J.P. Morgan, also thought to be a big creditor, said the Japanese corporation was "one of the most highly rated borrowers around".

In spite of its copper-trading losses, Sumitomo continues to have a double-A credit rating from the biggest rating agencies, a level that reflects a strong belief in the company's ability - and willingness - to meet its debts.

However, in the wake of the long-running dispute between Procter & Gamble and Bankers Trust over who should bear responsibility for losses sustained on two interest rate derivatives contracts, the issue may not prove so straightforward. In a settlement months ago, Bankers Trust agreed to meet most of P&G's losses, a move indicating that the bank

partly accepted the company's claims that it had been misled about the level of risk in the contracts.

The US banks' credit exposure to Sumitomo is thought to be largely under derivative contracts entered into by Mr Hamanaka. And while there have been no suggestions of sales abuses similar to those in the P&G case, there have been rumblings that the unusual nature of the transactions should have put the banks on notice about possible abuses by the Japanese trader.

That in turn could be used as the basis for any case Sumitomo might try to mount against the banks.

Such an argument would be more difficult to sustain in the wake of the P&G case, according to one US regulator. Bankers Trust results, Page 18; Commodities, Page 24

# Israeli banks in plea on troubled mutual funds

By Ilene Prusher in Jerusalem

Five leading Israeli banks which manage most of the country's collapsing mutual funds have called on the government to act to stop a complete collapse of the funds.

Responding to the letter a finance ministry official pointed to the government's decision this week to buy bonds to stabilise prices and lower market yield.

But the five banks - Bank Hapoalim, Israel Discount Bank, Bank Leumi, First International Bank of Israel, and United Mizrahi Bank - are now urging the finance ministry to take additional steps to curb a complete provident fund collapse.

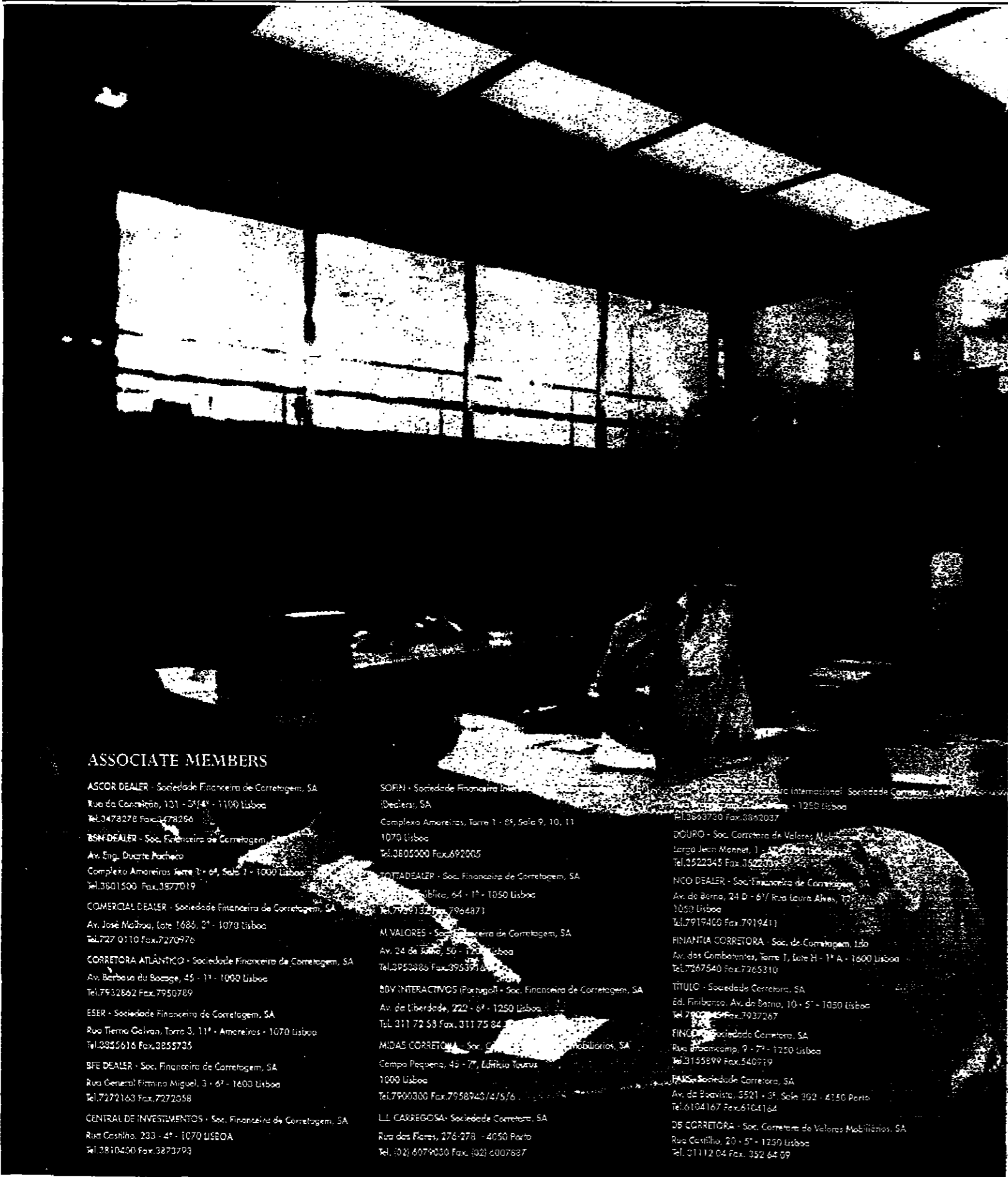
First, they are asking for an easing of old protectionist policies discouraging foreign investment.

Moreover, the banks are pointing to the damage done by an accord that gives preferential treatment to pension funds.

The funds, which represent some 40 per cent of public financial assets, have been popular because Israelis were allowed to make a certain portion of their contributions tax-free and could withdraw their gains at maturity tax-free.

"People have been losing money for two or three years," said Mr Shaul Katznelson, chief economist at Israel Discount Bank. "People look at their returns and they say it's down again, and again, and again, so now it's okay, we've had enough, we want out."

Israeli shares rebounded yesterday after 10 sessions of decline, described by analysts as a correction. The benchmark Mishkanim index rallied 6.48, or almost 4 per cent, to 176.66, in low volume.



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JULY 1996

### Japan and US square up for air battle

By William Dawkins in Tokyo

Japan's transport ministry yesterday warned that it would retaliate if the US carried out a threat to impose sanctions against the cargo business of Japan Airlines.

The warning, the latest skirmish in perennially sensitive US-Japan air transport relations, came a day after the US transportation department asked Japan to comment, by the end of the month, on Washington's proposal to ban JAL from landing cargo in the US if it had been carried to US destinations from Asian airports via Japan.

The US threat, which does not specify a deadline for a final decision, is in response to the Japanese government's refusal to grant permission for Federal Express to open six cargo routes on July 1 from the US via Japan's Kansai airport into Asia, a fast-growing and lucrative market.

This is the second US threat of sanctions against Japanese cargo operations in the past year.

The two sides nearly came to blows last summer over a similar frustrated request from Federal Express. But sanctions were averted at the last minute, after Japan gave Federal Express its licence in return for US agreement to renegotiate cargo rights under their post-war bilateral aviation treaty.

"It is very disappointing that the US has unilaterally announced the proposal to impose sanctions against Japan," said Mr Yoshiyuki Kamei, the transport minister. According to the ministry, these so-called "beyond rights" are not included in the bilateral aviation treaty. The US contests this.

Japanese officials said the likely counter sanction would be to ban an as yet unnamed US carrier from operating cargo flights between Japan and five Asian destinations, Manila and Cebu in the Philippines, Kuala Lumpur and Penang in Malaysia, and Singapore.

### Japan's mighty dump truck maker is facing a challenge on its home ground

## UK company takes dig at Komatsu stranglehold

By John Griffiths

Komatsu, the Japanese construction and industrial equipment maker, is to face the first challenge to its stranglehold on Japan's market for off-highway construction, quarrying and mining trucks.

It will come from Aveling Barford, a modest-sized British company once part of state-owned British Leyland, in partnership with a joint venture set up by Mitsubishi and Caterpillar, the US off-highway equipment and engine maker.

Shin Caterpillar-Mitsubishi (SCM) is to market Aveling Barford's off-highway trucks throughout Japan under an initial three-year agreement expected to involve sales worth \$30m.

Aveling Barford is a wholly-owned subsidiary, and by far the largest operating company, of Wordsworth Holdings, a UK group with 800 employees and a turnover of \$100m.

At least as significant for Aveling Barford, however, is

the additional export prospects opened up by the newly-forged links with Mitsubishi as an international trading house partner.

The deal opens the door to Aveling Barford's off-highway trucks being included in Japan's extensive overseas aid projects. Mr Peter Youlton, managing director, said yesterday in giving details of the venture at the UK's Department of Trade and Industry.

Already he expects the company's trucks to form part of one such project being studied in Pakistan.

"In the past, it would have involved Komatsu only; now they've got a choice."

Mitsubishi is also to help Aveling Barford seek business in China, where the Japanese group already has an extensive distribution network for a variety of vehicles and equipment, and in other fast-developing Asian markets where the UK company does not already have a presence.

SCM itself made the



Aveling Barford's RD300 dump truck and (inset) managing director Peter Youlton. The company has big plans to invade the Japanese market.

approach to Aveling Barford, which produces trucks of a size and type not produced by Mitsubishi and Caterpillar themselves, having talked to several larger rivals. The \$180,000-\$200,000 trucks at the centre of the deal are mainly in the 30-tonne payload category. Aveling produces 150-180 trucks a year, the biggest with payloads of 65 tonnes and each costing around \$250,000.

Aveling Barford, which

exports around 85 per cent of its production, is also independently examining opening up new markets in Pakistan, the Middle East and Africa. It already sells extensively to other Asia-Pacific markets as well as Latin America.

The company has doubled its turnover in the past three years and is looking for acquisitions to extend the business further, said Mr Youlton. It is also considering diversifying

into other engineering areas, such as motor components.

The name of Nippondenso will disappear from the ranks of European-based components manufacturers from August when European subsidiaries of Japan's biggest, and the world's second largest, components maker change their name to Denso.

The Japanese parent will change its name to Denso Corporation in October.

### WORLD TRADE NEWS DIGEST

## French study water scheme

Lyonnais des Eaux, the French water group, is conducting a feasibility study for a \$100.8m, build-operate-transfer (BOT) water treatment project for Ho Chi Minh City, Vietnam's booming commercial capital. Mr Vo Van Duong, director of the city's water supply company, said if the study was completed by the end of this year, the authorities could start the approval process early next year.

The project would provide 300,000 cubic metres of water a day. Current demand is 900,000 cu m daily but the city's ageing French and US-built system only provides 700,000 cu m a day.

A second water project, also at the feasibility stage, involves a consortium of Pengkalan Group of Malaysia and Thames Water of the UK, valued at \$145m. Vietnam's first BOT project was a water project approved last year. The 20-year, \$30m water treatment and supply project has been delayed due to difficulties in accessing land.

Ho Chi Minh City relies on a creaking water system built by French colonialists last century for a population of only 400,000. Although expanded in the 1960s under the US-backed South Vietnamese regime, it cannot cope with a city now containing about 6m people. *Jeremy Grant, Ho Chi Minh City*

## Dolphins bill makes progress

The US House of Representatives Ways and Means Committee has passed trade portions of a bill allowing imports of tuna caught in encircling nets as long as dolphins that swim above the tuna are not killed. The bill, which has split environmental activists, should move to the House floor within two weeks.

The bill changes the definition of the "dolphin safe" label. The US tuna industry had adopted barring use of tuna caught in the nets that used to snare and drown hundreds of thousands of dolphins in the Pacific. *Russell Washington*

## Mongolia cleared to join WTO

The World Trade Organisation yesterday approved membership terms for Mongolia, the first former communist country to negotiate entry to the world trade body. Mongolia, which applied to join Gatt, the WTO's predecessor, in 1991, is expected to become a member later this summer following ratification of its accession protocol. It will be preceded by the Solomon Islands which will become the WTO's 133rd member on July 28.

The WTO's general council also established a membership working party for Georgia, the 12th of 15 former Soviet republics to request entry. Only Azerbaijan, Tajikistan and Turkmenistan have so far made no approach to the WTO. *Frances Williams, Geneva*

## India ally for HK telecom group

Escorts, the Indian auto-engineering and manufacturing group, has allied with First Pacific, the Hong Kong telecoms group, in a joint venture the group says will invest Rs35bn (\$1bn) over the next 10 years installing cellular phone systems in three Indian states.

Escorts will hold 51 per cent of Escorts, the joint venture company, which won licences to provide cellular systems in the states of Haryana, Kerala and western Uttar Pradesh in a bidding round held last year. Mr Rajan Nanda, Escorts' chairman, said the venture would invest Rs14bn over the first three years. He said services in the first 16 Indian cities to be covered in the initial investment would begin in October. *Mark Nicholson, New Delhi*

## Siemens tries out 'no-frills' controls

By Peter Marsh in London

Siemens is test marketing in Britain a new range of machine tool controls destined for China on the grounds that the UK's "value for money" approach to factory automation is closer to east Asia than that of any other big European country.

"Britain is half way to Asia [in its attitude to using machine tools]," said Mr Norbert Armbruster, Siemens' marketing director for machine tool controls.

What some might take as a

back-handed compliment to the UK concerns a new set of cheap, "no frills" controls which Siemens has developed largely to meet the fast-growing market in east Asia, excluding Japan. Siemens is Europe's biggest electronics and electrical goods company.

In the world's \$185bn-a-year machine tool controls industry, Siemens is the second biggest company, accounting for about a fifth of sales. Fancuc of Japan is the leader, with 40 per cent of the market. In Europe and the US, Fancuc sells its controls through a joint venture with

General Electric of the US.

Siemens' marketing efforts concern a new set of machine tool controls which sell for about DM16,000 (\$10,500), less than half the price of more sophisticated controls in which the German company has traditionally specialised.

It is stepping up its attempts to sell the products to UK-based machine tool companies, many of which are accounting low-cost machines aimed at small jobbing shops, as a prelude to launching a still cheaper version of the controls system in China next year.

Mr Armbruster said he was specifically targeting the UK's 600 Group and Bridgeport and Cincinnati Milacron of the US, both of which have large UK factories, for sales of the new systems.

In the past, the German company has been accused of "over-engineering" its machine tool products, especially in relation to Fancuc's cheaper controls.

Siemens believes the east Asian region, outside Japan, will account for sales in 2000 of 42,000 controls, worth DM640m. Last year, in contrast, Siemens

reckons the region bought 23,000 units, valued at DM400m.

The forecast 83 per cent growth in sales in the region, in unit terms, would be far higher than the comparable 16 per cent growth Siemens foresees for the whole world.

The projections hinge on the rapid industrialisation of the region, much of which is based around hundreds of thousands of small jobbing shops meeting the demand for locally made components from groups such as multinational car companies.

## Australian states slated over investment rivalry

By Nikki Tait in Sydney

Australia's federally-funded Industry Commission has criticised the nation's states and territories for their fiercely competitive approach to attracting investors, both domestic and foreign.

"Gains from providing selective, firm or project-specific assistance at the state, territory and local government level are largely an illusion," the commission said in a draft report. "Rivalry between jurisdictions for development and jobs at best shuffles jobs between the regions and at worst reduces competitiveness and the income of Australians as a whole."

State premiers, however, yesterday claimed that the assistance was essential to boost growth and that much of the investment ultimately resulted in higher exports for Australia.

"The only thing that matters is whether we can keep our people employed, keep our community happy, keep it

growing," said Mr Jeff Kennett, the Victorian premier, whose state spent tens of millions of dollars to woo the grand prize race to Melbourne.

And Mr Dean Brown, South Australia's premier, said: "In the past two years, we have created more than 2,000 jobs in the information technology sector alone, in part as a result of industry assistance measures. The vast majority of these are new jobs."

According to the commission, the eight governments provide around A\$2.5bn (\$2bn) of annual budgetary assistance, and another A\$4.8bn of payroll tax breaks, largely to small businesses. Per head, the biggest spenders are the smaller states and territories - South Australia, Tasmania and the Northern Territory.

Some of the more prominent examples include the New South Wales government's wooing of Mr Rupert Murdoch's News Corporation to set up film studios in Sydney, and the South Australia govern-

ment's assistance to Westpac bank to run a major loan centre from Adelaide.

The commission noted that similar studies of selective assistance packages in the US - also developed by states in competition with one another - were "generally assessed to be unwarranted". It also pointed out that the European Union had made efforts to limit the provision of assistance by member countries.

The commission hinted that selective aid might be unconstitutional: "The provision of assistance to industry may not be in the spirit of the 'free trade among the States' provision of the Australian constitution," it said.

The commission report outlined a number of options which could bring greater "discipline" to the industry assistance bidding - ranging from more transparency and monitoring, to a comprehensive agreement between states to limit the provision of assistance.

## US public support for free trade growing

By Nancy Durne in Washington

Support for liberalised trade among the American public has grown over the past five years, although a large number still believe foreign imports are a threat to US jobs and wage levels, according to a poll released by the Washington-based Committee for Free Trade and Economic Growth.

Public hostility towards trade was inflamed by the debates over the North American Free Trade Agreement and the creation of the World Trade Organisation. Clinton administration initiatives such as the Free Trade Agreement for the Americas have been stalled by congressional ambivalence over trade issues.

However, the survey found that in the last five years, Americans have grown more confident about US competitiveness, and a majority believe that foreign imports are a net benefit for the US economy.

"Public leaders need not run away from trade issues or apologise for supporting free trade," said Mr Robert Strauss, former US trade representative and a member of the committee's advisory board. "The survey found that partisanship seldom makes a significant difference in trade attitude. So both Republican and Democratic leaders can make a serious commitment to free trade without risking the alienation of their own partisans."

Fifty-seven per cent of the respondents in the survey, conducted by Market Strategies, said the US was in either an "excellent" or "good" position to compete. This is an improvement of 15 percentage points from 1991.

However, 51 per cent also consider world trade practices to be generally unfair. Market Strategies concluded that reporting about large US trade deficits has contributed to that sentiment.

The survey revealed a "clouded" public understanding of trade. While Americans favour increasing economic growth by selling more US products overseas, they also listed as equally important maintaining "decent wages in the US against cheap foreign labour".

## Canberra warning over South Pacific concessions

By Nikki Tait in Sydney

Mr Alexander Downer, Australia's foreign minister, yesterday warned that concessions within the South Pacific Regional Trade and Economic Agreement (Sparteca) may not be continued indefinitely. Sparteca awards island nations preferential access to the Australian and New Zealand markets, for example, helped in developing a garment-manufacturing industry in Fiji.

Mr Downer said that a review of the Sparteca arrangements, begun shortly after Australia's new federal coalition government took office in March, had been completed, and that policy options were now under consideration.

"While it is too soon to predict the policy options we will put forward for discussion with the (South Pacific Forum) island countries, the message is that special concessional arrangements do not provide a lasting solution," he cautioned.



Downer: review

Both the former Labor government and the current administration have argued that as Australia's tariff levels fall, the Sparteca arrangements are of decreasing value.

In the case of Fiji, there have been initiatives to supersede these with a bilateral agreement.

However, Fiji-based exporters have attempted to push for lower local content constraints on goods that qual-

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AUSTRIAN AIRLINES

Airline's problems compounded as passengers' fears over the safety record of old aircraft are reinforced

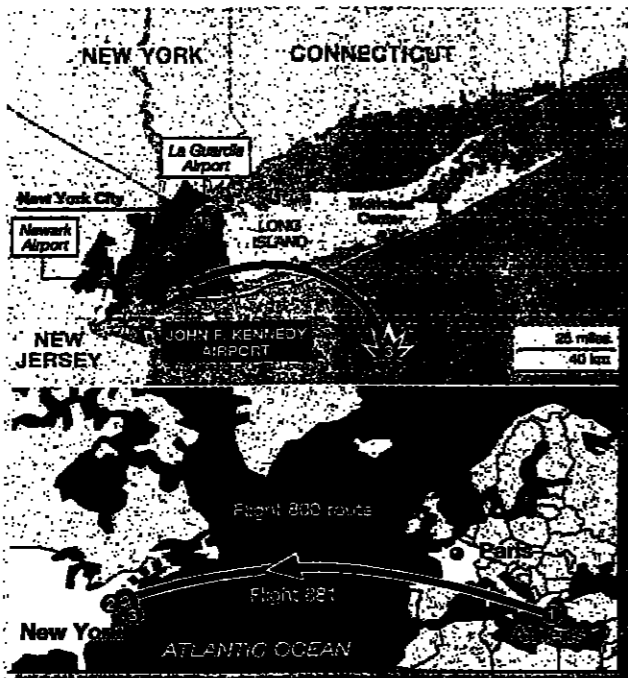
Crash likely to set back TWA's return to prosperity

By Richard Tomkins in New York

The crash of TWA flight 800 could prove a severe setback for Trans World Airlines at a time when the twice-bankrupt company looked as though it was turning the corner in its efforts to regain financial health.

Coming so soon after ValuJet Airlines crash in May, it may also reinforce passengers' worries among the safety of US airlines that fly old aircraft. The airliner that crashed was 25 years old, and TWA's fleet is the oldest of any large US carrier.

The final hours of Flight 800



The TWA airliner, as Flight 800, leaves Advers soon after midnight, Wednesday local time for New York. The airplane underwent strict checks at Advers airport, a triple check by Air France employees as well as TWA employees for passengers, baggage and hand luggage, and so on.

The aircraft arrives at New York's John F. Kennedy airport late afternoon local time and, as Flight 800, departs for Paris at around 20.30. A total of 229 people are on board - 212 passengers and 17 crew.

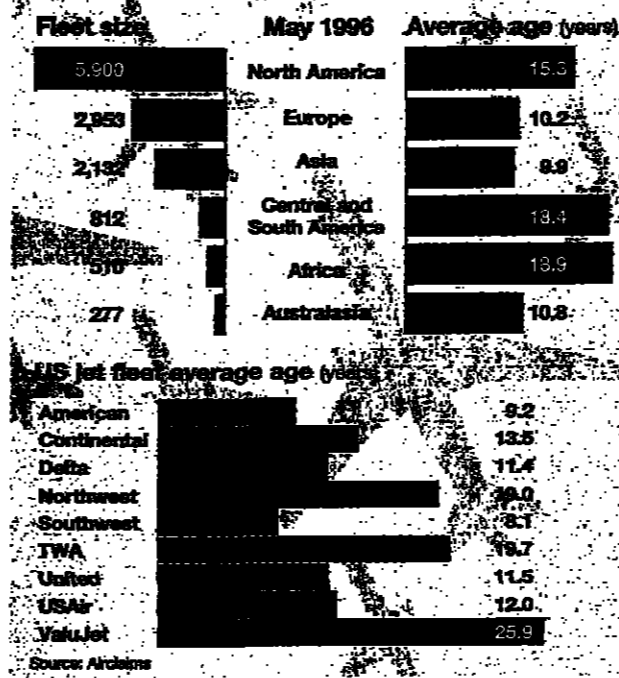
Soon after take-off, the jetliner explodes in a fireball over the sea. A total of 229 people are on board - 212 passengers and 17 crew. At JFK, an engine pressure ratio gauge was replaced, according to reports.

also part-owned by its employees, who agreed to work for less pay in return for 45 per cent of the company's shares. The rest went to creditors.

Since then, the story of TWA has been its continuing struggle to pay off its remaining debt and move back into profit. At times, its existence has looked precarious; indeed, it had to go into bankruptcy again last year as part of a financial restructuring agreed with its creditors.

the crash of flight 800, it had reported a jump in net profits from \$1.2m to \$30.4m in its second quarter to June, and the company was hoping that this year would mark its return to a full year net profit for the first time since 1988.

The age of the world fleet



Aircraft insured for \$11m

The TWA Boeing 747-100 which crashed off Long Island was insured for \$11m, while passenger liability for some of the 229 on board could be as high as a theoretical maximum of around \$3m, it emerged yesterday, Jim Kelly reports from London.

EU sets up machinery to retaliate over Cuba penalties

By Neil Buckley in Brussels and Guy de Jongh in London

The European Union yesterday set in motion machinery to enable it to decide rapidly on retaliatory action against US legislation which would penalise foreign companies which "traffick" in confiscated assets in Cuba.

dent Bill Clinton's decision this week partly to waive the Helms-Burton Act did not go far enough, and that they should aim to present a firm and united front in their dispute with Washington.

Officials of several EU governments said determination to stand firm against the Helms-Burton law had been strengthened by the US Senate's move this week to toughen another bill, which provides for sanctions against foreign companies investing in the Libyan and Iranian oil industries.

start making detailed recommendations to the ambassadors as early as next week. Officials said legal experts from the commission and the member states had already agreed that there was a sound legal basis for bringing a complaint against the US legislation to the Disputes Procedures of the World Trade Organisation.

Brussels also hopes to publish this month a "watchlist" of companies and individuals in the US which could seek damages against the US operations of foreign companies which were found to have "trafficked" in confiscated Cuban assets.

legislation, or a concerted action by individual member states. The ambassadors also agreed that the EU should be ready to respond to any request by Washington for discussion of international policies towards Cuba.

However, the ambassadors declared that they would firmly take action to resist any attempt to put pressure on the EU to comply with US domestic laws.

Greenspan speaks softly and shows inflation a big stick

By Michael Prowse in Washington

Financial markets could hardly have hoped for a more reassuring message from Mr Alan Greenspan, the US Federal Reserve chairman. In testimony to Congress yesterday, he predicted moderate growth and a decline in inflation next year.

US economic projections

Table with columns for Federal Reserve and Clinton Administration projections for 1996 and 1997, including Real GDP, Inflation, and Unemployment rate.

was confident that inflationary pressures would decline next year. The consumer price index would rise 2.75-3 per cent in 1997 compared with a projected increase of 3-3.25 per cent this year.

Greenspan conceded there were several factors that could stimulate growth. A desire to rebuild corporate inventories could add significantly to production in the near term.

ships with unemployment and past inflation." Mr Greenspan said the apparent lack of inflationary pressure might reflect structural changes such as workers' concern about lack of job security in a rapidly changing world and the "globalisation" of economic activity which allowed companies to reduce costs by spreading the fixed expenses of production over a broader market for their goods.

But he stressed that these forces were exerting a transitory, not permanent, impact on the level, rather than the rate of change, of wages and prices. Once the one-off gains from these structural changes had been fully absorbed, traditional inflationary forces associated with tight labour and product markets would reassert themselves.

There were "early indications that this episode of favourable inflation developments, especially with regard to labour markets, may be drawing to a close." The Fed thus had to be "vigilant to incipient inflation pressures that could ultimately threaten the health of the expansion."

Turning to fiscal policy, Mr Greenspan emphasised the critical importance of further reductions in the federal budget deficit, which would raise national savings. Significant and welcome progress had been made. However, the collapse of negotiations between Congress and the White House on legislation to balance the budget by 2002 had contributed to the negative tone of bond markets this year.

Market participants must "have been struck by the dying out of serious discussions that might lead to a bipartisan agreement to eliminate the budget deficit over time," he said.

But while emphasising the positive economic outlook, he signalled the Fed's determination to raise short-term interest rates in coming months if economic data pointed to higher inflation in the future.

"I am confident that the Federal Open Market Committee would move to tighten reserve market conditions should the weight of incoming evidence persuasively suggest an oncoming intensification of inflation pressures that would jeopardise the durability of the economic expansion," he told a Senate committee.

This would be in keeping with a monetary policy that was "designed to act preemptively... to look beyond current data readings and base action on its assessment of where the economy is headed."

The "central tendency" of forecasts from the Fed's governors and regional presidents was for a slowing of economic growth, starting in the second half of this year and extending through 1997. Growth would be 2.5-2.75 per cent in the four quarters to the end of this year - reflecting the unexpectedly strong first half - but would decelerate to 1.75-2.25 per cent in the same period next year.

Reflecting this expectation of moderating growth, the Fed

● The decline in bond prices this year would restrain demand. Intermediate and long-term interest rates had risen by 1-1.25 percentage points since January.

● The dollar had appreciated markedly on foreign exchange markets, which would depress exports and divert domestic demand towards imports.

● Spending on durable goods by households and companies would wane because "pent up demand" was exhausted, debt burdens were rising and opportunities for profitable investment were growing more scarce.

However, the timing and extent of any decline in growth was uncertain. Indeed, Mr

He noted that inflation had been surprisingly quiescent given the fall in the jobless rate to 5.3 per cent in June. The overall consumer price index had risen at an annual rate of 3.5 per cent in the first six months of this year. However, excluding energy and food, the "core" index was up at a 2.8 per cent rate - about half a percentage point slower than in the same period last year. Broader price indices - such as an index for gross domestic purchases - were also subdued.

"Although nominal wage rates have accelerated recently, the rate of increase has been lagging significantly behind that predicted on the basis of historical relation-

the second highest level on record. Mr Mickey Kantor, praised Japan's declining surplus, giving credit for the falling deficit in automotive trade to US-Japan trade pacts. The bilateral goods deficit for the year is \$19bn, a sharp decline from \$29bn for the same period in 1995. The trade deficit is down by 11.6 per cent in the first five months of the year compared with the same period in 1995, he said.

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It can distinguish between an enthusiastic or a passive driving style. Giving the option of a sporty or one that keeps fuel consumption to a minimum.

Trade deficit for May worsens by 13%

The US trade deficit for May surged by more than 13 per cent to \$10.9bn, with both imports and exports rising to record levels, the Commerce Department said yesterday, writes Nancy Dunne in Washington.

\$2.6bn in April to \$9bn. Many economists attributed the shortfall to the strength of the US economy at a time when US trading partners in Europe and other regions are recording weaker growth rates. The goods trade deficit to Japan, which has pulled out of its recession, fell from \$4bn in April to \$3.1bn, the lowest point since February 1992. US merchandise exports to Japan were \$5.9bn.

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JAMICO LTD

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# HK stock exchange chief executive to quit

By John Riddling in Hong Kong

Mr Paul Chow will resign from his post as chief executive of the Hong Kong Stock Exchange at the end of January next year, the exchange announced yesterday. It was immediately launching the search for a replacement.

Mr Chow's departure comes at a sensitive time for the exchange, as Hong Kong prepares for its return to Chinese sovereignty in July 1997 amid increasing competition from regional financial centres.

Mr Chow has been involved in occasional differences of opinion at the stock exchange and with other regulatory bodies. Earlier this year, he sharply criticised the Securities & Futures Commission, Hong Kong's

financial markets watchdog, over the scope of its authority. Last year, he was involved in a dispute with Mr Herbert Hui, deputy chief executive of the Stock Exchange, over procedures for market consultations, an incident seen as a possible tussle for power.

Exchange officials played down the significance of such disputes and praised Mr Chow's achievements in modernising and reforming the Hong Kong market. Especially, they cited the development of an automatic order matching and execution system, the establishment of a central clearing system, and the launch of the stock option market.

# Japan sees trade surplus decline 40%

By William Dawkins in Tokyo

Japan's trade surplus dropped by 40 per cent to ¥3,111bn (\$28.6bn) in the first six months of this year, the biggest half-yearly drop in 16 years, but the rate of decline is slowing.

The trade gap in June alone shrank less dramatically, by 25.5 per cent from the same month last year to ¥737,11bn, according to customs-cleared data from the finance ministry.

Exports in the six months to June rose by 6.9 per cent to ¥21,481bn, at around a third of the rate of growth in imports, up by 23.4 per cent to ¥18,369bn.

# LegCo member arrested on charge of fraud

By John Riddling in Hong Kong

The representative of the financial services industry in Hong Kong's legislature was arrested yesterday and charged with fraud and conspiracy to forge the government seal.



Colourful Hong Kong legislator Chim Pui-chung waves as he is taken to a district court.

Mr Chim Pui-chung's arrest is the latest twist in a long-running battle with the territory's financial market regulators which includes allegations of irregularities in share dealings and a property transaction on the exclusive Repulse Bay road.

The Securities and Futures Commission and the Police Commercial Crimes Bureau have been investigating share dealings in Lucky Man Properties, which is headed by Mr Chim.

# Losses plague Chinese industries

By Tony Walker in Beijing

China's debt-burdened state-owned industries continued to be "plagued" by increasing stockpiles and operational losses in the first six months of the year, restraining economic growth, a research institute under the State Council, or cabinet, says.

The DRC's quarterly report reflects concern among Chinese economists that tight credit policies and a sharp slowdown in fixed asset investment [was] still throttling some cash-starved enterprises, the report said.

Bad weather was partly responsible for the slowdown, but other factors included "enhanced macro-regulatory control on investment, and strict restrictions on management of newly-started projects". The report blamed the "descending trend" of investment growth for 22.7 per cent of the country's factories suffering operational losses in the

# Wrangling reminds Pakistan of its legacy of instability

Clashes with the judiciary have added to growing concerns that Bhutto government may not last its term, writes Farhan Bokhari

Months of wrangling between the government and Ms Benazir Bhutto, Pakistan's prime minister, and the country's judiciary have served as an unfortunate reminder of Pakistan's legacy of political instability.



Ms Bhutto: under serious pressure

Some of Ms Bhutto's own remarks recently have added to growing concerns that her government may not last its term. She has spoken about efforts by "a group" to lure members of the country's judiciary to foment a crisis in return for an offer of high office.

Her remarks followed suggestions by the conservative Jamaat-i-Islami religious party that power be transferred to the judiciary for an interim period before fresh elections could be held.

without consulting with the chief justices of the supreme court and the four provincial high courts. The ruling has been welcomed by many of the government's opponents who say that it would weaken the government's ability to influence the judicial system through judges of its choice.

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and what is the result of such ingenuity? A luxury car saves the driver free to concentrate on what we is the most important aspect of owning a BMW: driving a BMW.

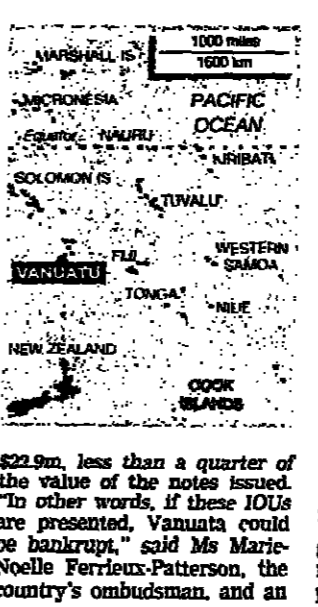
THE ULTIMATE DRIVING MACHINE

# Pacific isles fight against ruin after promissory notes scandal

By Melanie Carroll, recently in Vanuatu

Vanuatu and other small Pacific island nations have fought to head off financial ruin after issuing a wave of promissory notes they could not honour.

Vanuatu is still struggling to deal with a fraud associated with \$100m worth of promissory notes, backed by the government, while the Marshall Islands escaped ruin by managing to revoke similar letters of credit it issued.



opponent of the government's use of promissory notes. The former British-French condominium has a population of 165,000, and relies on its main export of coconuts, the flesh of coconuts used to make coconut oil, worth \$7.7m in 1995.

The use of government letters of credit has cast doubt over the banking reputation of the small island states. The notes or letters are usually signed by heads of government, guaranteeing the bearer payment of a set amount, often denominated in US dollars.

bankruptcy if the missing notes are ever cashed. The Unity Front-led coalition government of Mr Maxime Carlot Korman, the prime minister since last November's election, faces strong criticism of its handling of the use of the letters.

NEWS: UK

Corporation's chief branded a 'Tsar' and funding threatened after radical production changes

MPs caution BBC over World Service

By John Kempiner and Raymond Snoddy

MPs warned the BBC yesterday that the government could withdraw funding for the World Service if radical changes lead to a deterioration in output.

being given only 24 hours' notice of changes by the corporation, which included merging the news outputs of the domestic and world services.

MPs vied with each other in the virulence of their denunciations of Mr Birt's style of management.

Bury South, reminded Mr Birt of a warning given by Mr Hanley to the committee earlier in the day.

Mr Hanley said the Foreign Office had the "ultimate sanction" of stopping monthly payments of the £17m per year grant-in-aid to the World Service.

Tax cuts dependent on public spending

By David Wighton, Political Correspondent

Mr John Major, the UK prime minister, yesterday warned Tory backbenchers that pre-election tax cuts depended on control of public expenditure.

He told the Commons that the overall freeze on public sector pay would continue, prompting an angry reaction from trades union leaders.

Although the cabinet agreed the control total for public spending should be no greater than £268.2m, or 3.1 per cent more than the current year.

Downing Street said the cabinet had agreed to ensure that growth in spending is lower than growth in the economy.

The Treasury hopes to find cuts of between £2m and £5m. Although Mr John Redwood, the former cabinet minister.

The government's scope for manoeuvre in cutting spending is restricted to self-imposed no go areas, such as prisons, and by the manifesto commitment not to reduce spending on the health service in real terms.

Ministers said the curb on public sector pay, which restricts any increase to be funded from efficiency savings.

An appeal to the rail trade unions to accept binding arbitration was rejected.

Mr Michael Heseltine, the deputy prime minister, who yesterday inaugurated the project, said that up to 7,000 jobs would be created during its three-year construction phase.



THE IRISH TIMES

13 D'OLIER STREET, DUBLIN 2

WHY don't we face facts this morning? We in the Republic are not just back to the beginning, about the North. We're further back than the beginning.

The consequences of letting the Orangemen through in Portadown must have been immediately evident, last week, to a mind trained to see consequences.

I don't blame her. I only wish that British decision-makers realise how significant it is when a person such as we know the President to be is so hurt by what they do.

Three years ago Mrs Mary Robinson, president of the Irish Republic, (above left) accepted an honorary doctorate from Oxford University - at the heart of the British establishment.

Ship order beats £4bn defence funding delay

By Bernard Gray, Defence Correspondent

VSEL, the shipyard owned by the General Electric Company, in Barrow-in-Furness, in England's north-west, yesterday won a £450m (£702m) order for two assault ships for the Royal Marines.

However, as the Ministry of Defence made the announcement, Dr David Clark, the defence spokesman for the

opposition Labour party, attacked the government for the delay in announcing the rest of the £4bn of defence orders which had been expected before parliament rises next week.

Dr Clark yesterday claimed, "this unseasonably quiet between the two wings of the Tory party risks jeopardising

the interests of our armed forces and puts thousands of British defence jobs at risk". Manufacturers competing for Cruise and anti-tank missile contracts, and the maritime patrol aircraft order, are increasingly dismayed at the delay.

With parliament retiring for a three-month break next Wednesday there is very little time to meet the MoD's timetable of making announcements before the recess.

Mr Brian George, chief executive of GEC Marine, said yesterday: "This order was absolutely vital to the future of VSEL. It gives us the chance to introduce our new business practices which can make the yard even more competitive to win other work."

For many years the Barrow yard has specialised in submarine construction, including the four Trident nuclear deterrent submarines.

US Lloyd's investors 'may miss out on deal'

By Jim Kelly, Accountancy Correspondent

Lloyd's of London warned yesterday that some US investors could be cut out of the £2.2bn (\$4.96bn) out-of-court settlement which is at the heart of the insurance market's recovery plan.

It said those US state securities regulators had backed the plan - setting around 85 per cent of the 2,700 Lloyd's investors, or Names, in the US.

But Lloyd's said that Names resident in states outside the agreement will not benefit from the special \$40m "credit fund" set up for US Names and therefore may be ruled out of the overall settlement.

It would be tragedy if some US Names are denied the enormous benefits of reconstruction and renewal," said Mr Peter Lane, managing director of Lloyd's North America.

Lloyd's while a "small minority" have rejected an agreement. In a separate development a federal court in Texas dismissed a case brought by 77 Names on the grounds that the case should be heard in England.

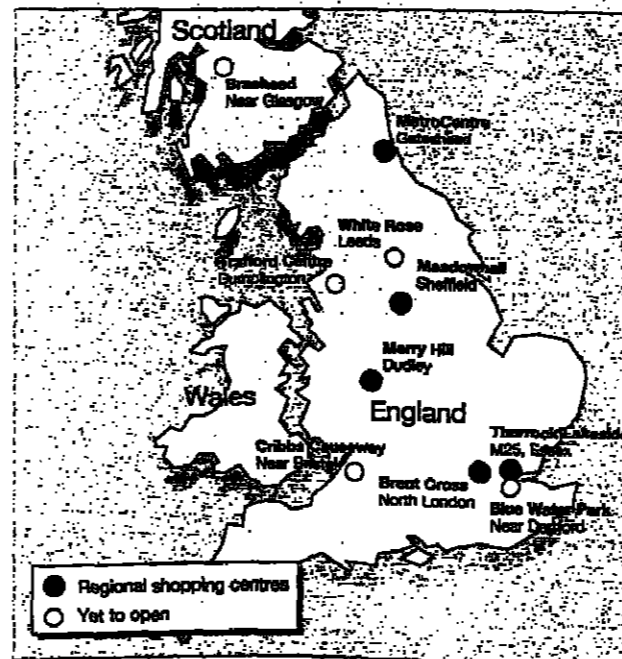
They wanted their obligations rescinded alleging that they were victims of fraud. In a swinging judgment Judge Lynne Hughes said "Some named American will not be compensated

for his injuries because an American Name refused to pay the claims against the policies he issued." She added: "The plaintiffs are indignant that a consequence of issuing insurance policies is paying claims."

Turning to the recent intervention into the Lloyd's affair by the Securities and Exchange Commission she added: "Twenty five years of silence from the SEC is more than glacial government: it is consent."

Simon London Additional reporting by Marco Vincenzano

struck in the early 1990s. Each had a negative impact on established shopping areas in surrounding towns.



Out-of-town shopping centres fall out of favour

The latest retail development in southern England may be one of the last to be officially endorsed

Work has only just started and the design is distinctively modern, but the planned Bluewater shopping centre in north Kent already has the aura of a bygone age.

Government planning policy has turned against out-of-town shopping since Bluewater was conceived in the late 1980s. The 1.65m sq ft centre is likely to be one of the last - as well as one of the biggest - of its kind.

Lead Lease, the Australian property and financial services company, last month raised \$375m (\$585m) from a consortium of banks to finance the development.

While these figures are impressive, they are diluted by the fact that Bluewater will draw retail trade away from town centres in the region.

Mr John Gummer, the environment secretary, last month issued new planning rules which will make it difficult for developers to win planning permission for even relatively modest schemes.

The UK's first covered shopping mall was built in the 1970s at Brent Cross, a suburban location in north London.

Neither of these had a severe impact on the surrounding area. Both central London and Newcastle were big enough to compete head-on with large covered malls.

Other sites include two planned for the north of England, one in the south-west, and one in Scotland to be completed within the next two years.

Unless government policy swings abruptly back in favour of out-of-town shopping, these developments are likely to be the last of their breed for a generation.

Simon London Additional reporting by Marco Vincenzano

UK NEWS DIGEST

Matsushita to invest £7.6m

Matsushita Electric of Japan is to invest £7.6m (\$11.85m) at its Cardiff plant in an expansion which will create more than 300 jobs during the next three years.

PRIVATISATION

Auditors criticise rail sell-off

British Rail, the former state-owned railway company, mishandled the sale of seven maintenance depots with the result that it raised less than it might have done while bidders were not given equal treatment.

INVESTMENT FUNDS

Treasury to expand range

New rules setting out the framework for Open Ended Investment Companies (Oeics) - pooled investment vehicles similar to unit trusts - were announced by the Treasury yesterday.

NATIONAL LOTTERY

Operator to launch second draw

Camelot, operator of the National Lottery, plans to launch a second weekly draw later this year to boost lottery revenues that have reached a plateau.

CONSTRUCTION

Overseas orders rise 45%

British construction companies struggling to make headway in a depressed home market increased the value of overseas orders by 45 per cent last year to \$5.06bn, according to figures published yesterday by the Department of the Environment.

MANUFACTURING

Hardboard imports face challenge

A £40m (\$62.4m) hardboard mill, opened yesterday by Mr William Hague, the Welsh secretary, near Ebbw Vale in south Wales, is forecast to capture nearly half of the UK market by the end of next year, replacing imports.

AIR TRAVEL

BA to transfer S American routes

British Airways is to switch its Latin American routes from Heathrow airport, creating up to 600 jobs at Gatwick airport.



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Established network of 26 distributors in 23 countries
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The joint administrators offer for sale, as a going concern, the business and assets of Murray, Harrington & McNamee Limited.

- Stockist/distributor of contractors tools and equipment
4 depots: London, Wiltshire, Pottypool and Rochdale (all leasehold)

For further information please contact Rod Withmshaw or Lindsay Cooper at Kidsons Impex, Devonshire House, 36 George Street, Manchester, M1 4HA Tel: 0161 236 7733 Fax: 0161 236 7020

KIDSONS IMPEX CHARTERED ACCOUNTANTS

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SECTION 7(7) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.
1. Following the public consultation which ended on 22 May 1996, he intends to revoke on 9 September 1996 both the Class Licence To Run Branch Systems To Provide Telecommunications Services (TSL) and the Class Licence For The Running Of Self Provided Telecommunications Systems (SPL) which were granted by the Secretary of State under Section 7 of the Telecommunications Act 1984 ('the Act') on 4 November 1994 and 30 July 1992 respectively. On 9 September 1996 he intends to issue a new Class Licence To Run Branch Systems To Provide Telecommunications Services and a new Class Licence for the Running of Self Provided Telecommunications Systems. The licences will be for a period of 25 years subject to earlier revocation in circumstances specified in the licences.

APPOINTMENTS

SENIOR MARKETER

A leading international investment company requires a Senior Marketer to specialise in structured mining and metal companies producing throughout Europe, the Middle East and Africa. The position requires thorough experience in debt capital markets, debt markets, derivatives corporate finance as well as general industry knowledge. Salary negotiable. Applicants aged 30-35, educated to degree standard, with minimum four years' relevant experience gained with a leading investment house, strong analytical and communication skills, should write, enclosing full curriculum vitae, to Box A5124, Financial Times, One Southwark Bridge, London SE1 9HL.

RISORSE PER ROMA

SELLS

PROPERTY OF ROME COUNCIL

- ARENULA SHOP, 83 sq.m. Via dei Falegnami 14 ground floor, basement, occupied. L. 245 million
WAREHOUSE, 81 sq.m. Vicolo dei Falegnami 31/31A, ground floor, intermediate floor, occupied. L. 147 million
SHOP, 47 sq.m. Vicolo della Torre 5 ground floor, occupied. L. 147 million
SHOP, 94 sq.m. Via S. Maria del Ponte 18 ground floor, occupied. L. 470 million
SHOP, 176 sq.m. Via S. Maria del Ponte 9A ground floor, basement, occupied. L. 607 million
FORI IMPERIALI HOTEL, 578 sq.m. + 40 terraces, Lgo C. Ricci 32/33, occupied. L. 2 billion 677 million
HOTEL, 687 sq.m. + 108 terraces Lgo C. Ricci 35/36/37, occupied. L. 4 billion 616 million
TRIVI OFFICE, 432 sq.m. P.zza di Trevi 8 int. 8 let, occupied. L. 4 billion 51 million
WAREHOUSE, 109 sq.m. Vicolo delle Scavoline 63, ground floor, occupied. L. 436 million
NAVONA SHOP, 190 sq.m. P.zza di Pasquino 72 ground floor, basement, occupied. L. 773 million
SHOP+WAREHOUSE, 63+28 sq.m. Via del Governo Vecchio 104/105, ground floor, basement, occupied. L. 310 million
SHOP, 221 sq.m. Via dei Coronari 156 P.zza S. Sebastiano in Isola T. 7, ground floor, intermediate floor, basement, occupied. L. 838 million
SHOP, 75 sq.m. Via dei Coronari 233 ground floor, basement, occupied. L. 354 million

The above mentioned property will be sold by public auction at 10.00 a.m. on 7th August 1996 at the office of Risorse per Roma RPR spa. Via Ulisse Aldrovandi 16 - 00197 Rome, Italy. Offers must be sent in sealed envelopes to the above address by 1.00 p.m. on 6th August 1996. The notice of the call for bids and further information can be obtained from the RPR office or from the following number: +39/6/36002901. Rome, 6th July 1996



The Chairman Risorse per Roma - RPR spa Aldo Palmieri



CRM Group

The Joint Administrative Receivers offer for sale as a going concern, in whole or in part, the business and assets of CRM Group.

The group which is based in Essex, operates a fuel distribution business.

Principal features include:

- Substantial customer base in East Anglia.
Annual budgeted turnover for 1996 of £48 million (152 million litres per annum).
3 depots at Maldon, Haverhill and Loughton.
5 forecourt sites (two freehold).
Fleet of 20 tankers.

For further information contact the Joint Administrative Receiver, Paul Jeffery, KPMG, Norfolk House, 488 Sibbury Boulevard, Central Milton Keynes, Buckinghamshire MK9 2HA. Telephone 01908 844800. Fax: 01908 844803.

KPMG Corporate Recovery

CONTRACTS & TENDERS

OFFICE DES PORTS AERIENS DE TUNISIE (Tunisia's National Ports Authority) International pre-selection notice

The Office des Ports Aériens de Tunisie (OPAT) wishes to lease, under the rule of Temporary Occupancy of Public Property, duty-free shops for international travellers at arrival and departure gates in the following airports: Tunis - Carthage; Monastir Habib Bourguiba; Djerba-Zarzis; Sfax-Thyna; Tozeur-Nefta and 7 Novembre Tabarka.

Tenders should be placed in two sealed envelopes. The outer envelope should only be marked: 'Do Not Open - International Tender to lease duty-free shops.' It should also contain the following documents: 1) A valid social security affiliation certificate (for local tenderers); 2) A valid attestation proving compliance with the Directorate of Taxes (for local tenderers).

Only parties which have obtained the relevant files and registered their name at OPAT can participate in this pre-selection. Tenders should be sent to the following address by registered mail: Monsieur le Président Directeur Général de l'OPAT, Aéroport International de Tunis-Carthage, Tunis-Tunisie.

MINISTRY OF ARTS, CRAFTS AND TOURISM SPA BUREAU INTERNATIONAL INVITATION TO TENDER FOR THE SALE OF THE JEBEL OUST HOTEL, SPA AND SPORTS COMPLEX

Appear in the Financial Times on Tuesdays, Fridays and Saturdays. For further information or to advertise in this section please contact Karl Loynton on +44 0171 873 4874 or Melanie Miles on +44 0171 873 3308

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LEGAL NOTICES SUNSTRASA LIMITED NOTICE is hereby given in terms of Section 16 of the Companies Act 1985 that a meeting of the shareholders of Sunstrasa Limited will be held at the registered office of the company on 24 July 1996 at 2.30 pm for the purpose mentioned in Section 16(1) of the Act.

COPEL COMPANHIA PARAENSE DE ENERGIA - COPEL, informs that an international bidding is open for design, manufacture, shop tests, transportation, delivery on jobsite and warranty for the auxiliary service equipment listed herein for the Salto Casias Hydroelectric Power Station, located on the Iguacu River, in the State of Paraná, Brazil.

BUSINESSES FOR SALE

Appear in the Financial Times on Tuesdays, Fridays and Saturdays. For further information or to advertise in this section please contact Karl Loynton on +44 0171 873 4874 or Melanie Miles on +44 0171 873 3308

TECHNOLOGY

When the Oscars are handed out each year, the publicity blaze is intense. Hollywood brushness and bravura are on full display. Attention, however, is focused mainly on the prize statues for the best films and the people who make and star in them. Not many take much notice when the production side of the industry is honoured.

Yet there are Oscars for those behind the scenes, and not just for camera-work, music or special effects. The makers of equipment also receive honours, and one Munich-based company has now been recognised seven times by the Oscar-awarding Academy of Motion Picture Arts and Sciences.

Arnold & Richter, founded in 1917 by August Arnold and Robert Richter, has become a byword for innovation in the film industry with its Arriflex range of cameras and other equipment. This year, the German company received a technical Oscar - in the scientific and engineering category - for its ground-breaking Arriflex 535 camera.

The camera, fully equipped with lenses, viewfinder, electronic control unit and other functions, costs around DM500,000 (£210,000). For that, film-makers get a range of computerised applications which simplify both the director's work behind the camera and post-production processes such as cutting, editing and special effects.

"It makes shots possible that couldn't be attempted before," says Walter Stahl, Richter's son-in-law, who runs the privately-owned company with fellow-director Bob Arnold, son of the other co-founder. "Scenes can be filmed in one go with different lighting and without losing depth of field."

He says the 535 is the first camera to use microprocessors and software to link and communicate all camera functions with other production and post-production systems. It was this concentration of features - tested and used in the industry for several years - which won the company the Oscar. In its award letter, the academy stressed the Arriflex 535's "full intelligent computer control" and innovative design.

The electronically-linked functions include changes in the iris (the lens diaphragm through which light enters is controlled), the shutter-opening angle, the frame rate (filming speed) and image data. When used with sound, the camera is very quiet because of its stable, sophisticated construction. Scenes can even be shot in reverse for unusual effects.

"The computerised camera allows the shooting of more complicated scenes with less effort and cost," says Stahl. Shooting can move from light to dark, such as from a street to a hotel foyer, without losing



Oscar-winning Arriflex 535 stands between Richard Gere and director of photography Adam Greenberg on the 'First Knight' set

Camera's starring role

Andrew Fisher on Oscar-winning performances by a German movie-making equipment manufacturer

focus. The speed of the camera can be changed at the same time. "Imagine an action scene which is usually filmed with under-speed to give the impression of more velocity, with dialogue in between."

Action scenes, such as the sword-fights in 'First Knight' starring Richard Gere and Sean Connery, can be filmed at 21 frames per second, but speed must be up to the normal 24 fps for dialogue. The shutter angle also has to be adjusted while shooting below standard speed. All this, including any move between light and dark scenes, can be programmed, including the focus.

"To the audience, the film will appear natural and people will not detect the manipulation," says Stahl. In 'First Knight', based on Arthurian legend, four 535 cameras were used. Actors held paper-maché handles during swordfight scenes filmed at 21 fps and then screened at 24 fps to speed up the action; the swords were put in by electronic retouching.

Michael Ballhaus, the German cameraman who works with director Martin Scorsese, likes the freedom the 535 gives him. In Scorsese's 'The Age of Innocence', the ballroom

scene was filmed at different speeds to highlight the characters. Part of one take was filmed at 24 fps, then at 36 fps (for a slow motion effect when screened at normal speed) and again at 24 fps.

Yet the 535's features are not just for the director's benefit, says Stahl. They come into their own during the important post-production stage. "Special effects play a bigger role in today's films. If you have a camera that shows the detail of each shot in digital form, this can be used in post-production to make the process better and easier. Every frame has a time code - so each frame can be separately identified."

With increasing use of digital film processing systems such as Eastman Kodak's Cineon, directors and technicians have an array of high-technology equipment at their disposal. In a recent German film, 'Schlafes Bruder' (Sleep's Brother) - about an undiscovered musical genius in 19th century Austria who dies of sleeplessness over unrequited love - director Joseph Vilsmaier used the adjustable mirror shutter for a computer-controlled six-hour panning

shot of a mountain panorama. When shown in the cinema, the changing light and clouds race across the sky at 100 times normal speed. For a village fire scene, Cineon was used to combine painted images, filmed flame scenes and shots of the main characters to produce a complete sequence. The fire's reflection was made to flicker across a face, with the nose casting a realistic shadow. This was done with a 3-D simulation of the face in the computer, which calculated the correct shadow angle.

Other films in which the 535 has been used include 'Schindler's List', 'Dracula', 'Little Buddha' and 'Robin Hood'. Yet Arriflex, with a turnover of around DM270m, does not have a dominant position in the Hollywood market. Los Angeles-based Panavision, its main competitor, has the upper hand through its big rental business to studios.

The German company's main strength is in the international market, where it has a share of around 80 per cent. Since more than 4,000 films are made around the world each year (including some 400 in the US), that leaves plenty of customers elsewhere.

MANAGEMENT

JOHN KAY

Why piece work went out of fashion



In the bad old days, weekly paid workers in manufacturing industry were often employed on piece rates. Output targets were set, and you were rewarded for meeting or exceeding them. The system did not work well.

People paid in this way rarely showed much commitment to the firm or the product - indeed the underlying assumption was that they would not have any such commitment and the assumption proved self-fulfilling.

The incentive was to meet the target, not to satisfy the customer. So you would rather kick a defective part into position than delay the production line. And the business of setting and negotiating targets encouraged gamesmanship and role playing. It made sense to conceal how much you could do, rather than make suggestions for increasing productivity.

The film 'The All Right Jack' was a bit because it was substantially true. Mr Pike was a fictional character. But Red Robbo, the real-life union leader with a reputation built on negotiating piece rates, could bring Leyland to a halt.

In the bad old days, salaried work was very different. You were expected to do the job for a fixed monthly sum, however hard the work proved to be and however long it took. Performance was relevant to salary only when it led to promotion. You did not imagine that you could negotiate your pay.

A salaried job was a mark of status - it meant that you could be trusted to monitor your own performance. You tipped hotel porters, but not your doctor. If you sent the latter a bottle of whisky at Christmas, it was a genuine expression of gratitude, not as an incentive to keep you well.

When the board of a bank or railway company occasionally voted a bonus for a senior manager, they only emphasised the difference in social standing between an executive and a director.

bonuses, they are based on the performance of the company as a whole. Team working is preferred to assembly-line production. Piece rates are for sweat shops.

Things have changed for the middle classes, too. Many people in the City now expect to earn most of their remuneration from bonuses. Only the most old-fashioned of companies is without long-term incentive schemes for senior managers. Doctors, teachers and civil servants are all having to come to terms with performance-related pay.

A strange inversion, this. Why is what is no longer sauce for the goose now sauce for the gander? The same consultants who once followed workers around the factory with stopwatches now specialise in incentive schemes for company executives. Part of the explanation is that some of the truly awful jobs in society are now middle class rather than working

class. The old theory was that employment on a car assembly line was so unrewarding in any but financial terms that the only way to persuade someone to do it was to reward them about the money every minute of their day.

The distance between inserting the rivet and seeing the wheels of the car go round was just too great. We know now that the right answer to this dilemma is to reshape the job so that everyone who is engaged in assembly feels associated with the final product.

We cannot do this for the euro-bond trader, however. The connection between his activities and the wheels of industry and commerce is remote, if indeed it exists at all. There is nothing for it but to stress the money. But this does not apply to senior executives.

Running a large company is an important job and, for those who do it effectively, an immensely satisfying one.

formance bonuses to stop its managing director from shirking on the job, you know that it is a bad company with the wrong chief executive. The notion that enormous bonuses are necessary to motivate such people is insulting to them and to ordinary people who work hard and long for their firms without any prospect of equivalent remuneration.

The same is true of doctors, teachers, and civil servants. Anyone in these professions who does not feel well rewarded by a job well done is not the sort of person who should be doing it. These explanations offered for these performance-related bonuses are subterfuges. Those who fix executive remuneration are sometimes asked why it is necessary to pay someone the best part of £1m per year to do the job. They can respond that earning £1m depends on meeting demanding performance targets.

You will notice that this is not an answer to the question, but it delays and obfuscates. And the rationale for performance-related pay for civil servants and academics has equally nothing to do with the need to reward performance. Performance has always been rewarded by earnestly sought promotions. It is to make it easier to pay more to tax inspectors and accountancy professors, who are in demand in the better paying private sector, without paying more to benefit clerks and philosophy teachers, who are not.

There is no morality, equity or justice in this; but there is a rule of the market that says this is what you must do if you want your taxes collected and you think that future generations should know their profit and loss account from their balance sheet.

But when we have cut through the humbug, we need to remind ourselves why piece work went out of fashion for low-paid employees. It eroded commitment to the organisation; it encouraged people to focus on targets rather than broader based, and more relevant, objectives; it gave them incentives to promote low expectations about what might be. Maybe some of these things also apply to performance-related pay for the salaried.

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ARTS GUIDE listing various events and exhibitions with dates and locations.

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ARTS

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Frisell opens his box of tricks

Efficient and awkward, Bill Frisell is the most unlikely guitar hero. Yet the American's music, itself recondite and unassuming, has a loyal following. On Wednesday night, London's entire "muso" fraternity coalesced at the Queen Elizabeth Hall to hear the UK debut of the latest vehicle for Frisell's singular form of impressionistic chamber jazz, quartet.

Theatre/Simon Reade

Emma shows her clever conceit

Emma is the latest novel to cash in on the drama, inching Jane Austen ahead of the Brontës, Dickens, Tolstoy and Hardy put together. Islington's King's Head pub theatre presents a scratch dramatisation in advance of an American film and a television serialisation.



Deliciously incredulous: Clara Salaman as Emma

less appealing when it tries to be polished, like Emma it has a disposition to think a little too well of itself, offering a few lame visual jokes. For example, five moth-eaten teddy bears representing five children are rummaged out of a toybox, with a smirking self-congratulation.

At the Kings Head Islington until August 11 (0171 226 1916).



Stonehenge: English Heritage's most valuable property, bringing in £1.4m a year in revenue from admissions

Stonehenge - back to the future

English Heritage and the National Trust are launching a joint bid to transform the ancient monument, writes Antony Thorncroft

A 550m radical plan for Stonehenge, the UK's most important and controversial heritage site, was unveiled to the commissioners of English Heritage yesterday by its chairman, Sir Jocelyn Stevens. It involves a joint bid with the National Trust to the Millennium Commission for half the cost of the project, with the remainder coming from business through the Private Finance Initiative.

BC. The Park will be funded with £22.5m of lottery revenue advanced by the Millennium Commission if it approves the scheme. Companies, through the Private Finance Initiative, will be responsible for the new visitor centre, which will include the "Stonehenge Experience", a high tech, virtual reality, tour of the site, ideal for the less venturesome; an exhibition about the building of Stonehenge; and an information centre acting as a tourist gateway to Wessex.

The cost of £250m was regarded as prohibitive. He does, however, expect a minor road, the A344, to be grassed over. Stonehenge is English Heritage's most valuable property, bringing in £1.4m a year in revenue from admissions. If the Stonehenge Millennium Scheme is approved it can expect a much higher revenue. Earned income is vital to English Heritage, which is suf-

fering annual cuts in its government grant, reduced to £20m for 1996-97.

Sir Jocelyn has spent much of his time as chairman dealing with Stonehenge. His achievement so far is in getting the local authorities and local interest groups, archaeologists, and the National Trust, which owns nearly half the site, to co-operate. He has even got the support of the Druids, who are particularly interested in the plans to re-create Woodhenge.

fresh from her vocal triumph as Lulu at Glyndebourne, the soprano Christine Schäfer joined the mezzo Stella Doufexis and the young Icelandic baritone Finnur Bjarnason at the Wigmore Hall as the International Songmakers for Graham Johnson's latest brainwave - a programme devoted to first and last songs by composers from Beethoven to Shostakovich.

Unsurprisingly many composers write their most centred music at either end of their careers. The eager young want to pour their teasing ideas into their first efforts. Some, like the 11-year-old Mendelssohn in his adventur-

ous and unpublished first song, *Der Verlassene*, or the 15-year-old Schubert in *Der Jüngling am Bach*, show amazingly mature first thoughts. But the skittishness of Debussy's wittily acrophobic *Coquette* (*Posthume*) written at the ripe old age of 21, and a telling contrast to the 14-year-old Brahms's archly romantic *Si mes vœux avaient des ailes*, was rare. Schäfer gladly seized her opportunity. At the other end of his life,

in the Michelangelo setting Bessmertye (*Immortality*), Shostakovich expresses a sense of coming full circle, his task completed, his innocence, expressed in an unrestrainedly nostalgic childlike piano postlude, regained. Bjarnason sang this work thoughtfully enough, though with insufficient resonance - that will come in a year or two. Often the figurations of Berg's accompaniments, the rhythmic structure of his mel-

Concert/Stephen Pettitt

International Songmakers

odies, or the whole approach of a piece mirrors a specific song or gesture from the older composer's *Dichterliebe* or *Frauenliebe und Leben*.

Johnson, as always, was a responsive partner to each of his singers at the piano. His first-half narrations were as informative as usual, and peppered with the occasional startling insight, though I do have a slight problem with his unembarrassed use of epithets like "four beloved Schubert", which really belong to another age.

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COMMENT & ANALYSIS

Philip Stephens

A phoney election

Tony Blair is lumbered with an election for the UK shadow cabinet, which MPs will use to air discontent with New Labour



Next week the UK Labour party will elect Tony Blair's team for government. That at least will be the presumption of the 370 opposition MPs as they cast their votes in the annual ballot for the shadow cabinet. But this will be as phoney and foolish an election as I can recall. As an act of politics, it will serve only to demonstrate how many of his parliamentary colleagues have yet to acquire the instincts of Mr Blair's New Labour.

counterpart, has a free hand. But, in the minds of the candidates, to win enough votes next week is to attach a large reserved sticker to a plush Whitehall limo and to a red leather ministerial box.

Mr Blair would have preferred to abandon this tribal ritual. His allies argued that campaigning within the PLP would deflect the party's fire from the government. The inevitable flare-ups among rival candidates would provide ammunition for the Conservatives. It would also give Old Labour the chance to take revenge on Harriet Harman, the health spokeswoman. Mr Blair defended Ms Harman's decision earlier this year to send one of her children to a "Tony" grammar school. Others in his party are not so tolerant.

For once, the Labour leader has retreated. The PLP barely touched by the Blair revolution, is the last bastion of Old Labour. There are few out-and-out Trotskyists. But the machine politicians who travel to Westminster from the party's traditional bases in England's inner cities and from either side of the Scottish border are deeply suspicious of the leader's middle class accent and presidential style. As one shadow cabinet member remarked this week, Old Labour MPs do not speak easily of their party's conversion to the market economy or

The parliamentary Labour party is the only section of the party which is still capable of destroying Labour's chance of winning the general election

of Mr Blair's willingness to back the status quo. The only change sought is the replacement of the retiring Joan Lester by Mr Cunningham. But others are standing, and Ms Harman's fate is uncertain. Many of those campaigning for her at Mr Blair's behest are doing so only from a sense of duty. Her telegraphic qualities are more admired than her grasp of policy. Mr Harman's approach to the health portfolio has been to do little slowly. But if she is ousted, Mr Blair will reap the benefit. He needs colleagues who do what they are told.

Either way, the elections are delivering some interesting, often contradictory messages. Above all, they illuminate the extent to which New Labour has been Mr Blair's project and Mr Blair's triumph.

He has had support. When the history is written Messrs Brown and Blunkett will be accorded central roles. And there are a dozen more in less exalted positions who are instinctive modernisers. But from the rump of the PLP he has secured acquiescence rather than enthusiasm.

Mr Blair thinks that the new intake of MPs after the election will bridge that divide. Many more will be drawn from the ranks of the modernisers. There has been a trade-off also in the decision to avoid a fight over the shadow cabinet. The PLP may soon discover that the price it has paid is a much tighter code of discipline.

As to the composition of his first cabinet, I suspect Mr Blair would be constrained only by the size of his parliamentary majority. If he won well, I would be astounded (and horrified) if Mr Blair gave precedence to the arcane rules of the PLP. Several of those elected next week would have to be satisfied with a smaller limo and a rather less weighty red box. The PLP may kid itself that the world has not changed. It has.

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LETTERS TO THE EDITOR

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Stretching the clear limitations of Keynesian economics may backfire on Japan

From Mr Russell Jones. Sir, Gerard Baker's analysis of Japan's fiscal difficulties ("Japan ready to put financial house in order", July 18) was stimulating, but I fear too complacent. Perhaps he has been listening too much to the US government and its disciples, who, not for the first time in the past 10 years are encouraging Japan to commit itself to the wrong economic policy at the wrong time. A number of points are worth noting:

Programme, was in deficit to the tune of more than 8 per cent of gross domestic product in the third quarter of 1995. ● Japan's gross government debt ratio is rising rapidly towards 100 per cent of GDP. Only four other OECD nations have higher ratios: Canada, Greece, Italy and Belgium. ● World that fiscal consolidation was as easily as Mr Baker suggests. However, despite Japan's supposed automatic fiscal stabilisers, the last time the budget deficit blew out in the late 1970s it took eight years of consistently rapid growth and draconian expenditure restraint to eradicate the shortfall. The structural balance (OECD definition) took a similar period to move back to balance. ● In contrast to most OECD economies, the political

dynamic of fiscal policy in Japan is still expansionary. There is every chance that the fiscal consolidation for the next nine months will be heavily diluted. Not only could we see another autumn supplementary budget, but an income tax rebate may well be extended for another year and the government may announce exceptions to the planned consumption tax hike. In the meantime, Japan lacks anything resembling a coherent medium-term plan for the public finances.

● In the context of the OECD's most rapidly ageing population structure, early fiscal consolidation and reform would generate huge benefits for the country's long term debt dynamics. Japan's fiscal activism of recent years has been laudable, but there are clear limitations to Keynesian economics, particularly of the more unreconstructed kind. Seeking to stretch these limits may backfire if the financial markets take fright. Fiscal procrastination is a dangerous course which could leave Japan in the worst of all possible worlds, suffering the deflationary effects of a half-hearted fiscal tightening, a surge in long-term interest rates, and a less than independent Bank of Japan having to salvage policy credibility by tightening monetary policy aggressively.

Russell Jones, chief economist, Lehman Brothers Inc, Ark Mori Building, 12-32 Akasaka 1-Chome, Minato-Ku, Tokyo 107, Japan

Economy rich and vibrant

From Mr Patrick O'Brien. Sir, It is heartening that Stephanie Flanders' research shows voters are not primarily influenced by selfish calculations of self-interest when electing governments because they realise that a vibrant economy is better than high unemployment (Economic Notebook, July 8).

Ms Flanders has missed what voters realise and the example of the US proves - that a wide range of income levels increases employment. The US has the lowest unemployment in the world because the rich employ the poor. Who else will in an egalitarian economy do-it-yourself is inevitable because no one wants to spend their hard-earned cash on hiring others and without the rich all fashion and other luxury industries wither also.

Patrick O'Brien, 2 Evening Glade, Ferndown, Dorset, UK

Financial inflexibility of a single currency

From Mr Stephen Lange Ranzini. Sir, The experience of eastern bloc countries shows Euro's architects "have designed a disaster", writes Brian Reading (In the Pink: "Caught up in currency calamity", July 13/14). Bravo for Brian Reading! I was always amazed at the lack of attention paid to the fact that Euro would be a financial disaster for Europe. It is obvious that the intelligentists in Europe haven't read Dr Jane Jacobs' fine book Cities and the Wealth of Nations. Perhaps Europeans don't read even the better Canadian authors? In the latter part of her book, Dr Jacobs provides an eloquent statement of the usefulness for each leading city region in the world in having its own currency.

Just one currency, to see how Texas was hurt in the mid-1990s. Nine of the top ten banks collapsed, and real estate prices followed. If it were Japan, interest rates would have dropped to 0.5 per cent, the banks would have recovered and the economy would have bounced back in five years, and not 10. If Japan shared the same currency as Europe, interest rates would have stayed high and all of its banks would have long since collapsed.

With the advent of computers, financial electronic document interchange and multi-currency option loan facilities is there really still as great a need for a universal currency despite these powerful drawbacks?

Stephen Lange Ranzini, 959 Maiden Lane, Am Arbor MI48105, US

the lack of public discussion on the contention that a European single currency would be inoperable without a Federal government, and asked if there was some conspiracy to suppress this. Curiously absent, in addition, seems to be informed debate as to what action would have to be taken by an Euro country that experiences, after joining, conditions which would, hitherto, have resulted in a currency devaluation.

The only reference I have seen to this was an article by Barry Riley ("The last days of the D-mark", March 15) which implied that the only remedy under these circumstances would be to reduce rates of pay. The implications of this could be so important that the lack of comment appears to support the suggestion made by Mr Clark.

M.J. Cheetham, 11 Hassocks road, Hurstpierpoint BN9 9QH, UK

Europa · Werner Hoyer

A vote for a uniform system

The mix of national balloting methods should be harmonised for European elections

One of the objectives of the Treaty of Rome was that general, direct elections should be conducted in accordance with a uniform procedure in all member states. Yet all states in the 40-year interim to comply with this clear mandate have been to no avail.

The dichotomy between the national traditions which range from winner-takes-all to proportional representation methods is an obstacle to consensus. The UK sticks to its first-past-the-post system based on electing a single member in each constituency, while all the other 14 members allocate their seats proportionate to the number of votes polled by each party, at least where European elections are concerned.

The absence of uniformity is one of the main obstacles to the emergence of a public that thinks of itself as European. Indeed, it casts doubt on the democratic legitimacy of the European parliament. The swing of votes in the UK, the only member of the EU to use the direct voting method, has a marked impact on the strengths of the various alliances in the European parliament as a whole.

In the July 1994 European elections, for instance, the UK Labour party polled only 2.6m votes more than the UK Conservatives, but that gave Labour a 44-seat advantage. Labour had 63 seats, the Conservatives 19. That is exactly the difference between the two largest groups in the European parliament, the European Socialists, which obtained 217 seats and includes UK Labour party MEPs, and the European People's party, which took 178 and includes the Tories.



Winner takes all: Pauline Green leads the Socialist bloc in the European parliament at Strasbourg

(60 per cent) were as low as in the UK (36 per cent), the number of votes needed to gain that 44-seat lead would still be 7.7m - three times as many as in the UK.

Such blatant disproportionality of representation of electors' intentions can no longer be defended on the grounds that the voting traditions of member states have to be respected. It is precisely when exercising our democratic rights that we need clarity. And one of the reasons why people doubt the European parliament's democratic legitimacy is that its composition is not seen to reflect actual voting patterns within the EU. There will be considerable frustration among those voters most committed to the EU in the other 14 member countries when they realise that the difference in alliance strengths depends solely on the size of the swing in the UK. People cannot be expected to accept this situation. We must therefore adopt a uniform procedure.

Which one? Where the multinational European parliament is concerned the proportional system is better than first-past-the-post for two reasons.

First, as a general rule proportionality means fairer representation, while the winner-takes-all method has the advantage of producing clear majorities. However, in the EU the sum of 15 national election results using the direct voting system would not produce any clear majorities.

Second, the European parliament does not act like a national parliament, where there is a majority supporting the government and an opposition whose strength depends

on the election results. In Strasbourg all major legislative decisions have to be carried by an absolute majority, and this is only possible through consensus among the parliamentary groups. Thus representation of the main political currents in the EU is far more important than an electoral system designed to produce a clear majority.

In spite of my clear preference for proportional representation, I believe we should try to make allowance for the constitutional traditions of member states to the extent that they are consistent with a uniform arrangement. Several ways of achieving this are under discussion: gradual progress towards uniformity; treaty-based criteria for a different procedure; or a flexible procedure, at least in several member states. I believe the treaty-based criteria would be the best solution.

The European parliament came up with a sensible approach in 1993 which leaves plenty of room for national variations. The resolution recommends criteria for European elections which, while ensuring uniformity of procedures, at the same time leave member states considerable latitude in their application. I share the European parliament's view that after various abortive attempts over the past 40 years the time has come for the governments of member states to adopt two basic principles.

The first is that the distribution of seats for the election of members of the European parliament should be determined in accordance with a system of proportional representation, taking account of the votes cast throughout the

member state. This can be achieved through voting for lists drawn up either for the whole territory of a member state or for regions or multi-member constituencies.

The second is that member states should be allowed to make partial use of the first-past-the-post system but no more than two-thirds of the seats assigned to them may be distributed in those constituencies. The remainder could be distributed by means of lists in such a way as to ensure that the distribution of all the seats of the member state concerned corresponds to the proportions of the total votes cast.

If both of these principles were adopted they would ensure sufficient uniformity but be flexible enough to permit national variants. Examples would be the use of minimum vote thresholds below which parties cannot win seats; the use of a preferential voting system where elections are based on regional lists; and the allocation of some of the seats via a supplementary list for the entire EU.

Such a procedure would leave member states a considerable amount of freedom, but the crucial point is that after all this time we must have a uniform electoral procedure to which all member states are bound. That is how the European parliament could best comply with the political will of the member nations. After 40 years, therefore, let the Intergovernmental Conference pave the way for a uniform electoral procedure in Europe.

The author is minister of state at the German Federal Foreign Office and a member of the Bundestag

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Friday July 19 1996

Inscrutable Mr Greenspan

Mr Alan Greenspan, recently reconfirmed in his third term as chairman of the Federal Reserve, exerts an extraordinary influence over financial markets. Part of his method is never to be too predictable or transparent.

The question is whether the anxiety is justified. By historical standards, the labour market is unquestionably stretched: the unemployment rate is 5.3 per cent; and 10m new jobs have been created over the past four years.

The old Japan

Struggling through its worst postwar crisis took Japan into deep, uncharted waters. For a time it looked as though little, if any, of the vaunted Japanese model that has saved the country so well would emerge unscathed.

average around 3 per cent in future. Without it, growth would be 1.75 per cent. Most private economists consider even these figures over-optimistic.

An iron fist

The appointment of General Igor Rodionov as Russia's defence minister should dispel the illusions of anyone who believed that the election of President Boris Yeltsin, with General Aleksandr Lebed at his side, marked a straightforward success for liberal values over the brutish authoritarianism of the Soviet past.

emergence of Soviet-era hardliners has been made possible by the remarkable fact that following the Union's collapse, outrages and blood-letting on a vastly bigger scale than the April 1989 killings took place in both Georgia and Russia.

The Kirch group: a programme of interests. Includes a photograph of Leo Kirch and a table listing various media holdings and their percentages.

A jump up the television ratings

The broadcasting alliance with Murdoch has made Kirch one of the most powerful media groups in Europe, says Judy Dempsey

Mr Leo Kirch, the Munich-based media mogul, is this week putting the final touches to an agreement to buy the distribution rights to a package of films from Warner Brothers, the US producers.

ment bank "BSkyB will get access to Germany which, with its 32m households, is one of the largest television markets in Europe. Kirch will get the wealth of experience of BSkyB gained through making pay-television in Britain a success."

The new channels will also provide a showcase for screening the World Cup soccer finals in 2002 and 2006. Kirch and ISI, the Swiss marketing agency, bought the rights to show the matches outside the US earlier this month for SFY2.8bn (£1.4bn), taking them away from the European Broadcasting Union, the group of public service broadcasting networks which includes the UK's BBC and ARD and which previously held the rights.

University. Then, German television was in its infancy. There was a shortage of entertainment, particularly films, and German distributors were slow to tap into the reserves of the US studios.

His rivals, especially Bertelsmann and RTL, repeatedly accuse him of seeking a monopoly over film distribution. "This is still our core business. You can't do anything without it," says Mr Johannes Schmitz, Kirch's chief spokesman.

OBSERVER

It's not just platonic

Shades of John Le Carré. In Copenhagen it's leaked out that one of the reasons why four British diplomats were expelled from Moscow in May centres on a man called Plato, who is presently languishing in a Russian cell, after being charged with espionage.

Growth business

Can Terry Smith, UK number-cruncher who achieved the distinction of propelling a book on accountancy to the top of the best seller list, repeat the performance? His Accounting for Growth has sold more than 55,000 copies since being published in 1994.

Time to Singh

When P. Chidambaram, India's finance minister, presents his first budget on Monday, no one will be more attentive than the man responsible for the previous five, and who can take much of the credit for liberalising India's economy: Manmohan Singh.

Treasure this one

Boffins at the US Treasury were puzzling over what to call an innovative new bond issue. Let's call it the Dole, said one. No, said the others: lacking in interest. What about the Gingrich? Nope, insufficient maturity. OK, try the Clinton. Out of the question: a complete lack of principal.

50 years ago Copper Price Very Firm Following the strike of artisans at the Rhodanese copper mines of Mulfliera, Nchanga Consolidated, Rhokana Corporation, Roan Antelope and Rhodanese Broken Hill, and the stoppage of production, a very firm tone has developed in the international copper market. Metal available for export in America is now being quoted at 16 cents a pound f.a.s., compared with 15 cents a few days ago. It is understood that up to 500 tons has already been purchased on that basis. There is still a general reluctance, however, on the part of U.S. producers to sell anything approaching a normal tonnage owing to the general tightness of supply on the domestic market. U.S. Silver Price The Joint House of Representatives and Senate conference has unexpectedly decided to reopen the controversy on the price of U.S. silver after voting earlier in the day to report their disagreement to both Houses. At their meeting yesterday, the committee agreed to the price of 90 3/4 cents an ounce for silver purchased by the Government from domestic producers and metal sold by the Treasury for industrial use, but the Bill as approved by the committee contains no expiration date.

"An income statement is a portrait of how the manager has behaved daily."

LEGAL DEFINITIONS

counterfeit n. 1 anger caused by having more than 8 items in basket (ref. supermarket) 2 made in imitation; not genuine 3 (of a claimant) pretended. see ROWE & MAW: asap (ph 0171-248 4282)

Rowe & Maw

LAWYERS FOR BUSINESS

Inkombank chief angry at talk of bankruptcy

By Chrystia Freeland in Moscow

The president of Inkombank, Russia's fifth largest bank, yesterday accused "vengeful" government officials and "dishonest" rivals of provoking rumours that his institution was on the brink of bankruptcy.

Russia's fifth largest bank accuses 'dishonest' rivals

national wariness of banks, reports like those which have circulated about Inkombank have an immediate effect. The furor comes at a time when a sharp fall in inflation and lower yields on government bonds have led most Russian and western economists to predict a shake-out in Russia's frail financial sector.

Companies asked to help bring Stonehenge up to date

By Antony Thorncroft in London

Stonehenge, the most famous ancient monument in the UK, is to get a new lease of life. English Heritage, the government-financed organisation which administers the 4,000-year-old ring of stones, is asking private sector companies to form a consortium to contribute £32.5m (\$50.7m) towards the construction of a new visitor centre on the site.

The centre would have restaurants and shops as well as a high-technology interpretation of the site. "The Stonehenge Experience" should be open to the public by 2000. It is expected to attract at least 1.8m visitors a year.

For the past 30 years the public has been kept away from direct access to the huge stones because of fears of vandalism. This has led to disputes and confrontations with Druids, who traditionally worship there on Midsummer's Day.

Israel and Egypt affirm search for Middle East peace

By Sean Evers in Cairo

Egypt and Israel said yesterday they had agreed on the future of the Middle East peace process, following a 2 1/2 hour meeting between Mr Benjamin Netanyahu, Israel's new prime minister, and President Hosni Mubarak of Egypt, in Cairo.

Interpretations of the Madrid formula. Mr Mubarak went a step further, underlining that the cornerstone of the peace process launched in Madrid was land-for-peace, "clearly defined in writing, and it does not have any further interpretation".

US shares rise

Continued from Page 1

nothing in the tenor of his remarks to suggest that markets need be apprehensive of an aggressive tightening of policy," said Mr Bill Griggs, a Wall Street bond market commentator. He believed the message was that "inflation is good this year and is going to get better next year."

Jumbo crash

Continued from Page 1

indications are that that crash was caused by hazardous material exploding in the hold, but the Federal Aviation Administration did find shortcomings in ValuJet's maintenance procedures.

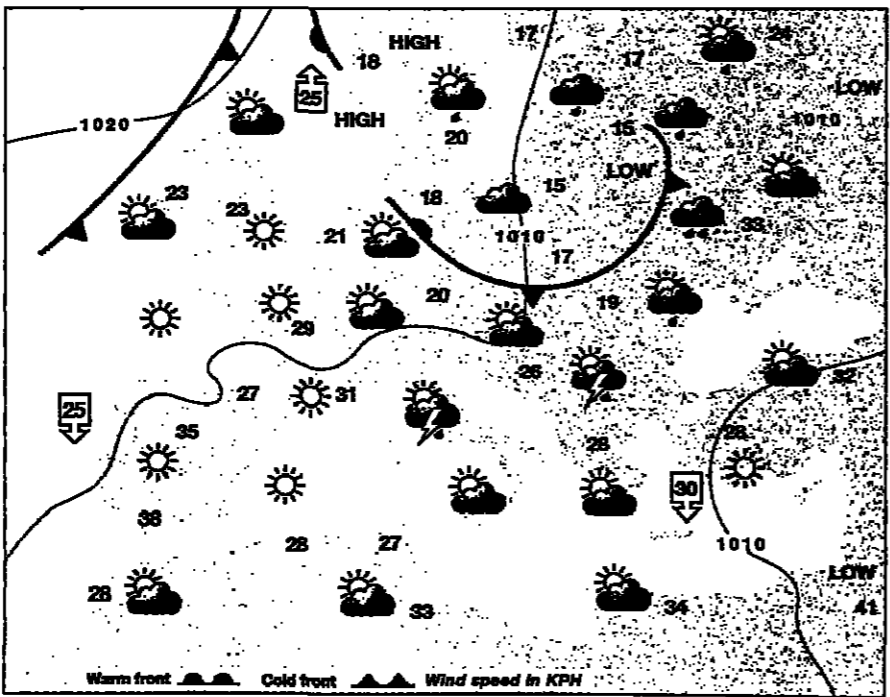
FT WEATHER GUIDE

Europe today

Light to gentle southerly breezes will bring warm and dry air to most of the UK. Temperatures will range from 20C to 25C. Some coastal regions will be a bit cooler. Spain and Portugal will be hot. France will be sunny with afternoon temperatures between 25C and 32C.

Five-day forecast

During the weekend, eastern and central Europe will turn warmer and will remain mostly dry. Early next week north-west Europe will have rain and will be slightly cooler.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteor Consult of the Netherlands

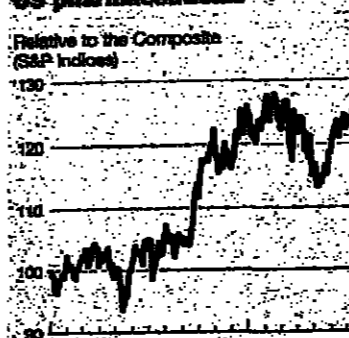
Table with columns for location, weather conditions, and temperature. Locations include Abu Dhabi, Moscow, Beijing, etc.



THE LEX COLUMN Greenspan's games

If obsession was the name of the game - and it undoubtedly was - Mr Alan Greenspan's testimony to the US Congress yesterday was a triumph. According to the Federal Reserve chairman, inflation might or might not become a problem, but if it did he would stamp on it. Meanwhile, the economy looked set to slow, but it could see a burst of short-term growth.

FT-SE Eurotrack 200: 1675.8 (+10.7)



frothy market. In the second quarter of 1996 floatations raised £4.2bn, more than in the whole of 1995. And the success of the junior Aim market has attracted a number of blue-sky companies for which venture capital funding might have been more appropriate.

British Gas Tuesday's 450-page Monopolies and Mergers Commission report on BAA may have been tough stuff, but it will have been eagerly read in at least one other boardroom - British Gas's.

US pharmaceuticals America's drug companies are in robust health, judging by the latest quarterly results. Average volume growth of 8-10 per cent is running ahead of best expectations and those with new products are moving much faster.

New issues

When the London stock market squeezes the new issues market tends to catch cold and there are certainly plenty of sniffles around at the moment. Recent floatations, including British Energy, Sun Life and Jarvis Hotels, are trading at a discount to their issue price.

Advertisement for IMI S.p.A. (Istituto Mobiliare Italiano) featuring the company logo, contact information (Tel 501,278,802,080), and a claim of 'Global placement of 41,634,452 ordinary shares'.

Handwritten signature: J. J. ...

Handwritten text in a box at the top of the page.

FINANCIAL TIMES COMPANIES & MARKETS

Friday July 19 1996

SHEERFRAME Specified Worldwide L.B. Plastics Limited Tel: 01773 852311

KYOCERA, world leader in high-tech ceramics, continues to develop new uses for its technology in the IT and automotive industry...

IN BRIEF Banacci may sell brokerage stake

Banacci, Mexico's largest financial group, may sell a large stake in its brokerage company Accival to complete a \$1bn recapitalisation programme...

Merck and Pfizer meet forecasts. Merck and Pfizer, two of the fastest-growing US pharmaceutical groups, matched stock market expectations with earnings per share growth of 16 per cent and 22 per cent, respectively...

REX beats growth target. Banco Bilbao Vizcaya, the biggest Spanish banking group in terms of stock market capitalisation, reported a sharp increase in first-half profits...

Nomura and Daiwa release results. Nomura Securities and Daiwa Securities, two of Japan's leading securities houses, have released their first-quarter results, reflecting efforts by the industry to increase disclosure to investors...

Reliance plans petrochemicals expansion. Reliance Industries, India's largest private-sector company, is set to become a "global force" in petrochemicals, according to Mr Dhirubhai Ambani, its founder and chairman...

Gold rise helps Anglo American. Anglo American's gold and uranium division has posted a 43 per cent rise in net profit for the quarter ended June 30 to \$323m (\$73.6m) as the higher gold price - in rand terms - consolidated gains at its deep level mines...

Former chairman defends LME system. Mr Christopher Green, former chairman of the London Metal Exchange, has launched a spirited defence of the exchange's unique way of operating - which has been called into question following the Sumitomo scandal...

Table with 2 columns: Company Name and Change. Includes AT&T, Anglo American, BASF, etc.

Table with 2 columns: Market Statistics and Values. Includes Annual reports service, Bond futures and options, etc.

Table with 2 columns: Chief price changes yesterday and Values. Includes Frankfurt, New York, Tokyo, etc.

AT&T stocks fall on growth warning

By Tony Jackson in New York. AT&T, the largest US telephone company, warned that intense competition in the deregulated US market would result in lower growth in its domestic consumer business than last year...

which was likely to persist. He accused some competitors of misleading customers on the true price of their services. AT&T's apparent loss of market share was highlighted by figures from its smaller rival in the long-distance market, MCI...

AT&T's total operating income in the second quarter was 2 per cent higher at \$2.3bn, on sales also up 2 per cent at \$13.0bn. A lower tax charge lifted net income 10 per cent to \$1.5bn, or \$0.92 a share...

ger results in business telephony than in the consumer market. MCI said its business-to-business sales growth had been exceptionally strong, while AT&T said it had grown at the industry rate...

\$219m loss. NCR's revenues were down 18 per cent to \$1.7bn, reflecting its withdrawal from personal computers. MCI said revenues at Concert, its international alliance with British Telecommunications, had revenues almost doubled year-on-year...

Biotech companies are wondering whether the recent run of investor confidence is over

Clinical trials in the marketplace

Biotechnology companies on both sides of the Atlantic have seen a nine-month bull market come to an abrupt end this month. UK investors' frayed nerves may have been soothed yesterday by a recovery in some of the sector's best known stocks...

Trouble with flotations and rights issues is bad news for the sector. Biotech companies try to turn scientific ideas into commercial medical products. They have negligible sales during the many years of research and development and rely on outside sources to pay the R&D costs...



Investors have poured enormous sums into biotechnology this year. Biotech companies in the US and UK raised almost \$3.3bn in public offerings in the year to July 11. The figure for the equivalent period of 1995 was \$194m, according to Bioworld Financial Watch, an Atlanta-based newsletter which follows about 270 biotech companies in the US and UK...

But these Bioworld stocks fell more than 9 per cent in the first week of July. British Biotech's share price fell from more than \$26 in May to \$20, and others have fallen as heavily. Intencuron, one of the biggest US biotech stocks, had a market capitalisation of more than \$1bn. Its share price fell from \$26 in January to \$22 in late May before falling to \$20...

price falls are significantly different from those which triggered the 1992 collapse in investor confidence. Then, the bad news came in the form of the failure of a promising drug in the final stage of clinical trials. This time, there has been no equivalent item of bad news. The effect, says Mr Mehta, should limit the share price falls and encourage investors to distinguish between the best companies and the rest...

scientific and commercial potential of a biotech company's products. The fortunes of the sector are likely to hinge on progress with clinical trials of important products. For the time being, investors and biotech company executives can no longer rely on momentum to keep their share prices up. They will have to watch out for events that affect the fate of real products in research.

Daniel Green. In Canada, Fidelity won its first client - Campbell's Soup - in October, and now has six. Some of the clients, including Campbell's, are subsidiaries of US companies which already employ Fidelity. Mr Reynolds said many of Fidelity's US clients were multinational groups looking for global pension fund managers...

BASF to close four plants in Germany and cut 900 jobs

By Jerry Luesby in London. BASF, the German chemicals group, is to close four plants at its main production site in Ludwigshafen, Germany, with the loss of 900 jobs. The move was prompted by the decline of the European textiles and leather markets...

Mr Albrecht Eckell, a BASF management board member, said the group had been forced into the closures by falling sales and profit margins. The four plants, which will be closed by the end of 1998, produce textile and leather chemicals, dyes, dyestuffs, acrylic acid, and specialty chemicals...

draw from the sector, said Mr Eckell, but cost-cuts were essential if these businesses were to survive. Under a deal reached last year with Ciba, the chemical company, BASF will become the Swiss company's main supplier of textile dye ingredients...

One way of doing this is to see which have raised enough money in recent months to see them through to the commercialisation of their products. "It's going to be very rough for anyone trying to raise new money over the next 12-18 months," says Mr Edmund Debler of Mehta and Isaly.

Another way is to follow the lead of pharmaceutical companies which sign deals to market the products biotech companies are developing. In theory, at least, the R&D departments in big pharmaceutical companies should be better placed than most investors to evaluate the

Spanish groups in venture talks

By Tom Burns in Madrid. Repsol, Spain's leading energy group, and Iberdrola, the second-ranked domestic electricity producer, are in talks on setting up a large joint energy venture, initially budgeted at Pta180bn (\$1.8bn)...

The venture, which would aim to turn oil refining by-products into gas, would be one of the biggest industrial undertakings by domestic corporations in Spain. The architect is understood to be Banco Bilbao Vizcaya, the banking group which owns 7 per cent of Repsol and 11.5 per cent of Iberdrola...

Spanish alliances, both led by banks and involving big investments in key industrial sectors. BBV, together with La Caixa, the main domestic savings bank, has recently built up a significant equity stake in Telefonica, the national telecoms operator, as well as in Repsol...

Endesa, which is partially privatised and is one of the most profitable domestic corporations, is additionally diversifying into the oil and gas sectors. BBV results, Page 18

TELECOM SPT TELECOM, a.s. Czech Republic USD 750,000,000 Multicurrency Revolving Credit Facility. Includes logos for Chase and Citibank.

Vertical text on the left margin: 'An income statement is a portrait of how the manager has behaved daily', 's games', 'Italiano', 'The Treasury of Italy', 'SBC Werburg'.

COMPANIES AND FINANCE: THE AMERICAS

Banacci considers sale of stake in brokerage firm

By Leslie Crawford in Mexico City

Banacci, Mexico's largest financial group, may sell a large stake in its brokerage firm, Accival, to complete a \$1bn recapitalisation programme for Banamex, its banking arm.

Accival, by contrast, is Mexico's largest brokerage, as well as the cradle of Banacci's financial empire. It was the springboard from which Mr Roberto Hernandez and Mr Alfredo Harp mounted the winning bid for Banamex in 1991, when most of the banking sector was privatised.

operating conditions, Accival is mostly profitable. Banamex executives say selling a stake in Accival is only one of several options under consideration to raise the final \$200m of the bank's \$1bn recapitalisation programme.

of fresh capital to the bank. Banamex offered to exchange \$250m of convertible debentures maturing in 1999 for new debentures bearing a higher rate of interest, due in 2003, and sold an additional \$100m of the new debentures for cash.

than 40 US and European institutions. The four-year notes bear a coupon of 12.75 per cent.

Barrick profits fall after exploration spending rises

By Robert Gibbons in Montreal

Barrick, North America's biggest gold producer, posted lower second-quarter and first-half earnings because of heavier exploration and development spending.

ing gold property in Peru. The excellent performance of our mines and our financial strength allow us to pursue global development to expand our reserves and production long-term," said Mr Peter Munk, chairman.

First-half profit was \$140.9m, or 39 cents a share, against \$146.5m, or 41 cents. Operating cash flow was \$230.7m against \$253.1m.



Peter Munk: 'performance allows global development'

Pfizer and Merck meet Wall Street expectations

By Richard Waters in New York

Merck and Pfizer, two of the fastest-growing US pharmaceuticals groups, matched stock market expectations with earnings per share growth of 16 per cent and 22 per cent, respectively, in the second three months of the year.

NEWS DIGEST

Bankers Trust well ahead of forecasts

The earnings recovery at Bankers Trust continued in the second quarter of the year with a 66 per cent rise in net income, to \$151m, in spite of losses in the copper market.

Currency rates slow McDonald's

McDonald's, the US fast food company, paid the price for global expansion in its second quarter when shifts in exchange rates ate into profits. Even so, the company reported an 11 per cent increase in net income, to \$420.4m, and a 13 per cent rise in earnings per share to 59 cents, beating analysts' forecasts.

Sears, Roebuck posts record

Growth at Sears, Roebuck, the second-biggest US retailer, continued in the second quarter, with the latest in a series of big profit increases. Net income was ahead 26 per cent at a record \$274m, or 67 cents a share. Growth was driven by an 11 per cent increase in revenues, to \$6.13bn.

Spin-off costs drag down Lucent

Lucent Technologies, the telephone equipment business spun off from AT&T in April, saw net profit drop 55 per cent to \$72m in the second quarter, in spite of a 6 per cent rise in revenues to \$5.4bn. The company said this was partly because of the cost of the spin-off.

Bad debts check Dean Witter

Rising bad debts from credit cards held down earnings at Dean Witter, Discover, the stockbroker and credit card group, it reported a slight increase in net income in the second quarter, from \$238m in the same period of 1995 to \$239m in the three months to June 30. Earnings per share were up 3 per cent, from \$1.35 to \$1.39, on a fully-diluted basis. The shares fell 1% to \$51.15 in morning trading.

Recovery continues at US aerospace groups

By Christopher Parkes in Los Angeles

US aerospace and defence groups continued their recovery in the second quarter, with strong earnings which showed the effects of widespread restructuring.

with McDonnell, for example, reporting net income up 11 per cent at \$182m and earnings per share 18 per cent higher at 87 cents.

level for the first half were 12 per cent better at \$37m. Revenues from military aircraft sales were unchanged during the quarter and in the first half, with a total of \$4bn booked this year to date.

than at the same point last year. First-half earnings were lifted 9 per cent to \$2.09 a share, with the net total up by the same proportion at \$121m.

compared with \$48m in 1995. Consumer products also improved sales and margins, while aviation and electronics reported operating income from continuing operations for the year to date down 25 per cent at \$22m.

The Republic of Panama PDI Bonds Due 2016. Notice is hereby given that from July 17, 1996 to January 17, 1997 (184 days) the bonds will carry an interest rate of 6.75%.

USD 10,000,000 EURO MEDIUM TERM NOTE PROGRAMME OF SOCIETE GENERALE. SGA SOCIETE GENERALE ACCEPTANCE N.V. AND SOCIETE GENERALE AUSTRALIA LIMITED.

The Republic of Panama Discount Bonds Due 2026. Notice is hereby given that the Rate of Interest has been fixed at 6.75% and that the interest payable on the relevant Interest Payment Date, January 17, 1997 against coupon No.1 in respect of US\$1,000 nominal of the Notes will be US\$34.50.

Table with columns: Bid, Offer, Last, etc. for various securities.

Prices for securities obtained by the issuer... The issuer is not responsible for the accuracy of the information provided in this prospectus.

Chip equipment makers join forces

By Christopher Parkes

Two small leading-edge technology companies - one from southern California, and one from south Wales - have joined forces to attack the world market for semiconductor chip-making equipment.

worth of chip-making equipment last year. But he is also aware that technology alone provides no instant access, no matter how advanced. Mr Gregor Campbell, founder of PMT, also learnt early on that big corporations need both proven technology and international service before they will buy such important equipment from relatively unknown suppliers.

Plasma & Materials Technology, the US concern, is to pay about \$145m in cash and shares to acquire Electrotech, a 28-year-old private US company with annual sales of about \$45m.

Lack of scale and research and development budgets totaling 20 per cent of sales at each company hampered efforts to move internationally. PMT, well established in the US and strong in Korea, was relatively sparsely represented in Europe, Electrotech's territory.

Every day, we help thousands of people like Zoe fight cancer. Give people with cancer a fighting chance. Over 50p in every £1 donated goes directly into our vital research.

Wells Fargo & Company US\$100,000,000 Floating rate subordinated notes due July 1997.

The group that controls Banco Bamerindus, Brazil's fourth biggest private bank, has restructured its assets in an attempt to regain credibility for the bank, whose image has suffered after months of reports that it faces liquidity difficulties.

Banco Bamerindus revamps assets to boost confidence

By Jonathan Wheatley in São Paulo

The group that controls Banco Bamerindus, Brazil's fourth biggest private bank, has restructured its assets in an attempt to regain credibility for the bank, whose image has suffered after months of reports that it faces liquidity difficulties.

ring was carried out "with the approval of the Central Bank and without the sale of Banco Bamerindus or transfer of its control".

R\$4.9bn. was also below that of other big Brazilian banks. Mr Kotani said the bank still had "a big problem with credibility", despite the restructuring. He expected the bank to complete the revamp by selling assets, including Inpacel. If credibility remained low, the group would be forced to sell control of the bank in order to qualify for funds from a government programme known as Proer, which provides low-cost finance for mergers and acquisitions in the industry.

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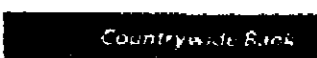
NOTICE is hereby given that the Sixth Annual General Meeting of Schroder Japanese Warrant Fund Limited will be held at 9.00 am, on 7 August 1996 at Barclay House, 50, Julian's Avenue, St Peter Port, Guernsey, Channel Islands GY1 3QL for the purpose of considering and, if thought fit, passing the following resolutions.

JAVICO USA

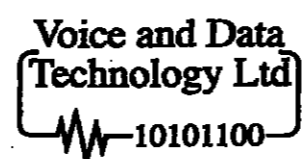
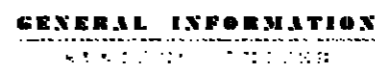


دکتر محمد الراجحي

INVESTMENT... ENERGY...  
BANKERS Trust well ahead of forecasts  
Energy rates slow McDonald  
Mrs. Riebeck posts record  
Air-off costs drag down  
Bad debts check Dean



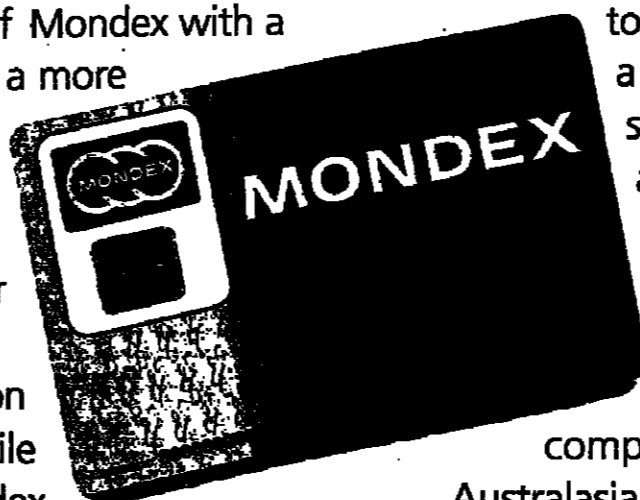
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WE'RE PLEASED  
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INTERNATIONALLY  
ARE BACKING US.**



In 1990 NatWest began the development of Mondex with a simple vision – to offer people around the world a more convenient way to pay for all their everyday needs.

Notes and coins are still the world's favourite way to pay so we wanted Mondex to behave like cash. It does – more than any other payment card.

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to work as they travel the world. Mondex does: a Mondex card can hold several currencies simultaneously. We have always believed that a worldwide payment brand should have a worldwide ownership.

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View Mondex on the Web at: <http://www.mondex.com/mondex/home.htm>

COMPANIES AND FINANCE: EUROPE

BBV beats expectations with 26% rise

By Tom Burns in Madrid

Banco Bilbao Vizcaya, the biggest Spanish banking group in terms of market capitalisation, reported a sharp increase in first-half profits yesterday. The bank said it was well ahead of targets set under its "1,000-day plan" to achieve double-digit growth in earnings per share and dividends through to 1997.

During the past six months BBV has consolidated its position as Spain's leading industrial investor by increasing its equity holdings in Repsol, the dominant oil, gas and chemicals group, and in Telefonos, the national telecommunications operator.

It is a core shareholder of both corporations and its industrial portfolio, which manages significant positions in a wide range of businesses, has a current market valuation of Ptas280bn.



Emilio Ybarra: confident of similar growth in the second half

ING takes control of Polish bank

By Gordon Grant in Amsterdam

ING of the Netherlands yesterday secured majority control of Poland's Bank Slaski with a Ft353m (\$312m) investment which took its stake to 54.1 per cent.

The purchase, from the Polish finance ministry, comes four years after the Dutch banking and insurance group gained its initial 25.9 per cent holding in the Katowice-based institution.

ING last month agreed to buy a further small parcel and was granted an option to increase this to a majority, in a deal which became the subject of controversy within Poland.

NEWS DIGEST

Deutsche Bank eyes Chase Japan arm

Deutsche Bank is negotiating to buy a Japanese asset management and commercial banking subsidiary of Chase Manhattan, the US bank, in a move aimed at increasing its international presence and earnings power.

Linotype-Hell losses deepen

Linotype-Hell, the German printing equipment manufacturer, recorded a net loss of DM31.7m (\$21.3m) in the six months ended June 30, compared with a deficit of DM13.9m a year earlier.

SAP set to raise \$560m from issue

By Connor Middelmann

SAP, the German business software group, is planning to sell up to 4m preference shares to international institutional investors in a global offering.

The transaction, which at the current share price would raise about \$560m, is set to become the largest German equity offering this year to date, and the first secondary market offering for a component of Germany's Dax-30 share index.

Bill 'will limit income', says Mediaset

By Andrew Hill in Milan

Mediaset, the newly quoted Italian television and publicity group, yesterday launched a fresh attack on draft legislation on media ownership, which it now claims could cut the company's annual turnover by up to L1,000bn (\$568m).

Mediaset controls Italy's three largest commercial television channels and the country's biggest television publication, Publitalia, and has annual turnover of some L2,000bn.

Under linked legislation, Rai, Mediaset's state-owned rival, would have to change one of its three channels into a regional network.

Mr Antonio Maccanico, the Italian post and telecoms minister, said yesterday he was not worried by criticism of the bill.

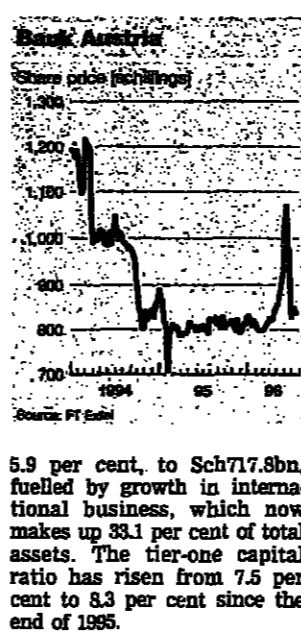
Bank Austria ahead 19.5%

By William Hill in Zurich

Bank Austria, the country's biggest, increased its first-half pre-tax profits 19.5 per cent to Sch2.4bn (\$229.4m). The strong performance reflected a sharp rise in trading income resulting from the group's activities in the buoyant financial markets.

Bank Austria's chief executive, was reported to have said yesterday that margins on domestic lending had fallen from 1.9 per cent to 1.76 per cent over the last year and, although the decline had been halted, he felt that anything under 2 per cent was unsatisfactory.

Bank Austria's international operations showed strong growth with operating income of New York, London and Hong Kong increasing 44 per cent to Sch243m.



Banks to take stakes in 'electronic purse' venture

By Motoko Rich

Seventeen banks from around the world will subscribe for shares in a new private company being set up to incorporate the assets of Mondex, the "electronic purse" initiative backed by National Westminster Bank and Midland Bank of the UK.

A substantial proportion of funds raised will be retained by NatWest as reimbursement for the development costs, while the balance will be injected as working capital into the embryonic company.

Mondex is a computer chip-based card used for small transactions that do not need to be authorised by the user's bank. The card can be used as a cash replacement to transfer value from one individual to another, and for high street purchases.

The international market for electronic purses is being fiercely contested by the leading payment card operators - Visa, MasterCard and Europay. Many of the banks that are buying shares in Mondex International are also conducting trials of rival purses.

One drawback of Mondex is that it does not conform to international standards for chip cards set by Europay, MasterCard and Visa.

France Telecom 'worth FF147bn'

France Telecom, the state-controlled telecoms operator in which a first batch of shares is expected to be sold by April 1997, is valued at FF147bn (\$22.2bn) in a new report published by BZW, the UK investment bank. BZW says its valuation was based on projected group earnings growth of 10.7 per cent a year over the next five years.

This advertisement is issued in compliance with the Listing Rules of London Stock Exchange Limited (the "London Stock Exchange"). Application has been made to the London Stock Exchange for up to £49 million in principal amount of 5.75 per cent convertible subordinated bonds due 2006 ("Convertible Bonds") of The Highland Distilleries Company plc (the "Company") to be admitted to the Official List.

THE HIGHLAND DISTILLERIES COMPANY PLC (Incorporated and registered in Scotland under the Companies Acts, 1948 to 1980, registered number SC1645)

Issue of up to £49 million in principal amount of 5.75 per cent convertible subordinated bonds due in 2006 in connection with the Offers for Macallan-Glenlivet PLC

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COMPANIES AND FINANCE: UK

# Siebe to seek pay approval

By William Lewis  
Siebe, one of the UK's largest engineering groups, has become the first company to ask its shareholders to approve the pay of its executive directors, following best practice corporate governance guidelines.

The Greenbury report, published a year ago, stated that companies' remuneration committees should "consider each year whether the circumstances are such that shareholders should be invited to approve the policy set out in

their report". Companies have limited shareholders' voting to the introduction of long-term bonus schemes, as they are obliged to do under stock exchange rules. The Greenbury committee had expected privatised utilities, in particular, to put their remuneration packages to the vote, but none has done so.

"We are doing it because we like to be ahead, we like to adapt to all new standards as soon as possible," Siebe said yesterday. It refused to comment on whether it thought shareholders would approve the pay report.

# US arm floors Telemetrix

By Christopher Price  
Losses from a US subsidiary virtually wiped out profits at Telemetrix in the six months to June 30, with the specialised electronic components supplier warning it would make an operating loss for the full year.

# TBI to acquire Belfast airport

By Roland Adburgham, Wales and West Correspondent  
A second UK regional airport is to be bought by TBI, the property group. It is making a £100m (£85m) agreed purchase of Belfast International, which was privatised two years ago in a management and employee buy-out.

TBI will pay £72.4m and repay £28m of bank borrowings in the deal which, if it gains shareholder approval, is expected to be completed on August 13. BIAHL, the airport company, will pay a £4.5m dividend to its shareholders.

# Utd Utils to explain scheme

By Jane Martinson and William Lewis  
Mr Brian Staples, chief executive of United Utilities, will personally explain the details of his own proposed pay scheme in meetings with the group's large institutional investors over the coming week.

# BT holds 'urgent' talks on regulation

By Alan Cane in Newcastle  
British Telecommunications is holding urgent talks with the government on the future regulation of the UK telecoms industry, in an attempt to avoid a damaging confrontation next week with the industry regulator.

BT yesterday received the final version of Mr Don Cruickshank's proposals for controls on its prices and ways of policing its activities to 2001. The proposals are little different from Ofel's earlier consultative document. BT will consider them at its main board meeting on Tuesday.

Mr Cruickshank is proposing that BT limit price increases for residential and small business users to the rate of inflation minus 4.5 percentage points. But he is linking this to a change in BT's licence which would give him wide-ranging powers to identify and counter anti-competitive practices.

# FT-SE 100 change

Railtrack, the owner of British Rail's track, signalling and stations, is to join the FT-SE 100 index.

# RESULTS

Company	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends corresponding dividend	Total for year	Total last year	
Adia	17.3	(2.2)	3.92	(0.033)	20.3	(0.2)	4	5.5	4.5
Bellini	1.57	1.47	(1.07)	3.8	(1.5)	-	-	-	-
Edibel	8.34	(4.9)	0.379	(0.07)	2.8	(0.2)	0.8	0.8	-
Greenwich Resources	6 mths to Mar 31	-	2.19	(0.131)	1.71	(0.1)	-	-	-
H-Tec Sports	Yr to Apr 26	22.8	(132.1)	2.03	(12.5)	2.5	(26.2)	1.8	1.8
Holders Technology	6 mths to May 31	3.24	(2.52)	0.298	(0.232)	5.71	(5)	2	2
James Street	Yr to Mar 31	81.2	(72.5)	5.59	(0.32)	25.42	(28.94)	10.5	10
ML Laboratories S	6 mths to Mar 31	2.94	(0.817)	0.083	(1.4)	0.06	(1)	-	-
Motor World	6 mths to Apr 28	30.9	(24.5)	2.15	(1.9)	91	(8.3)	2.8	2.2
Neil Clark	Yr to Mar 31	4.18	(3.67)	1.04	(0.608)	26.44	(18.17)	2	4
Openair	Yr to Mar 31	15.4	(12.7)	4.14	(5.52)	15	(42)	8	-
South Gordon (A)	Yr to Apr 30	38.1	(24.8)	5.8	(6.6)	3.8	(4.5)	1.9	3
Stoney Hill S	6 mths to Apr 30	0.951	(0.738)	0.225	(0.304)	0.72	(1.0)	-	0.1
Starling Patrick S	Yr to Mar 31	38.8	(67.5)	3.48	(0.55)	6.8	(20.1)	1.8	0.75
Starbuck Solutions	6 mths to May 31	6.11	(2.5)	0.730	(0.057)	0.81	(0.1)	0.2	0.8
TW	Yr to Mar 31	35.4	(17.8)	10.19	(4.13)	3.97	(3.08)	1	0.8
Telewest	6 mths to June 30	63.1	(75.5)	0.171	(4.87)	1	(2.2)	1	1.45
Wiltek	Yr to Mar 31	48	(40.5)	5.57	(4.22)	23.42	(17.14)	4.85	8.7

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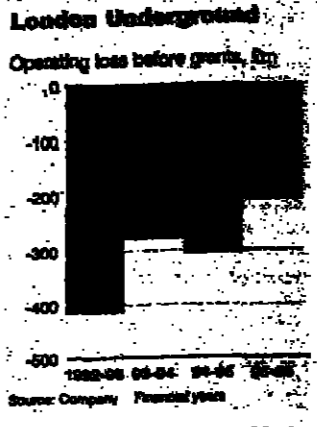
# Emap wins its battle on wider board powers

By Christopher Price  
Emap, the publishing, exhibitions and radio group, yesterday won its battle to implement controversial proposals giving the board wider powers to sack individual directors and to reduce the minimum number of non-executive directors.

Under the new rules, the figure could have been three, only one of whom had to be a non-executive. Prof Simmonds said he would be asking at the next board meeting for details about the contents of a private letter sent by the chairman to some institutional shareholders who were originally unhappy about the new rules. Emap insisted the letter was simply a restatement of the majority board view.

# LEX COMMENT London Underground

What is the answer to the current rash of strikes on London Underground? Privatisation. So long as the tube network is a single state-owned monopoly, it will be vulnerable to industrial action. Railwaysmen know they can virtually bring the entire capital to a halt. But if London Underground's eleven lines were franchised as separate entities, the unions would no longer have the same stranglehold. True, a strike on, say, the Victoria Line would still cause immense inconvenience. But it would not clog up the whole of London. If only one line were affected, it would also be easier to put in place alternative arrangements - whether by hiring new employees or running buses.



Company	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends corresponding dividend	Total for year	Total last year
Abnott High Income	9 mths to June 30	-	(-)	-	1.6	1.6	-	9.2
Edinburgh Wagon	Yr to May 31	191	(142)	0.045	(0.071)	0.2	(0.26)	0.8
Garshore Micro	6 mths to June 30	115.3	(102.54)	0.31	(0.343)	0.07	(0.07)	1.5
HS Optimus Income	Yr to May 31	107.85	(98.21)	2.48	(2.96)	8.59	(10.22)	2.55
Yusman	6 mths to June 30	457.7	(454.8)	2.05	(1.74)	8.32	(7.08)	5.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. \*After exceptional charge. †After exceptional credit. ‡On increased capital. \*Comparative for 15 months. \$USM stock. †Aldi stock. ‡At December 31. †Includes 0.4p special.

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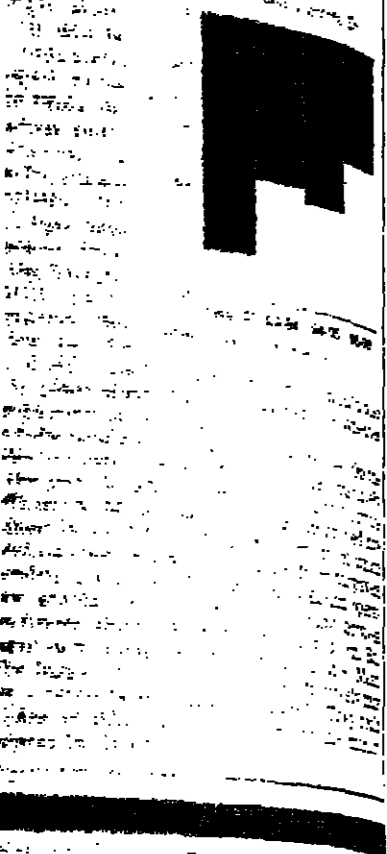
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FT IT Recruitment appears each Wednesday in the UK edition, and each Friday in the international edition

For more information on how to reach the top IT professionals in business call:

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or contact:

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The FT IT Recruitment section is also available all week on [www.FT.com](http://www.FT.com)

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- establish independent control over pricing, P & L, calculations and other areas of system functionality that have a "critical" impact on the Bank's books, deal processing or trading decisions.
- assist in the installation and maintenance of the Market Office and contribute to customer support, training, product handling procedures, bank-wide approach for all systems.
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INTERNATIONAL CAPITAL MARKETS

Treasuries ahead as fears of rate rise ease

By Lisa Branstetter in New York and Samer Iskandar in London

The yield on the benchmark 30-year Treasury bond moved below 7 per cent in early trading yesterday as the market interpreted remarks from Mr Alan Greenspan, the chairman of the Federal Reserve, as a signal that the central bank might not raise interest rates next month.

that an interest rate increase in August was inevitable. Mr Greenspan did much to ease those worries yesterday when he said there were a number of reasons to expect demand to moderate on its own. Among the reasons he gave was the restrictive effect of the rise in long-term interest rates and the appreciation of the dollar.

"I don't think we're writing [an interest rate increase] off," he said. "We're just making it a little less certain."

GOVERNMENT BONDS

figure on the trade balance in May and speculation that the Fed was less likely to raise rates next month. Italian BTPs were boosted by bullish inflationary expectations. Life's September BTP future rose 1.4 to 116.58.

Market participants were reassured that producer prices had risen by 1.3 per cent year-on-year in May, compared with 2.6 per cent in April. The national statistics office also said that recent cuts in electricity tariffs would be taken into account in the consumer price index for July, a measure that is expected to reduce the rate of growth of consumer prices by up to 0.2 percentage points.

exchange market, a BTP trader said. The Italian currency has been affected by the dollar's recent weakness. Yesterday it traded in a range of L1,018.1,024 against the D-Mark, and some analysts are predicting further weakness to around L1,050.

Vietnam closed-end investment fund planned

By Jeremy Grant in Ho Chi Minh City

Asia-Pacific International Inc (API), a group of US investors based in San Francisco, plans to set up a \$250m investment fund focused on Vietnam and has drafted in a business arm of the Vietnamese Communist party as a possible co-investor.

BIS to report on OTC derivatives

By Peter John

The world's leading central banks will today reveal a blueprint for greater openness within the \$40,600m market in over-the-counter derivatives. The G10 working group set up by the 10 largest central banks has established a reporting framework to help reduce uncertainty within the highly opaque OTC market.

The department of international financial statistics at the BIS said the production of regular reports could give vital clues to the formulation of monetary policy. "We hope they will show how market participants react in certain times of stress," the BIS said.

Hyder deal in demand despite divergent ratings

By Conner Middelman

Although market sentiment picked up yesterday, primary activity in the eurobond market remained limited, with only a handful of transactions hitting the screens.

bonds. The issuer is 50 per cent owned by the Indian government and the deal includes a put option that gives investors the right to redeem their bonds at par if government ownership falls below 55 per cent.

New international bond issues

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Includes entries for Korea Exchange Bank, Depo International Finance, etc.

INTERNATIONAL BONDS

The bonds have unusually divergent credit ratings, with an A+ rating from Moody's and an A- rating from Standard & Poor's - three notches higher.

Meanwhile, representatives of the Republic of Argentina were in London to promote its forthcoming debut in the sterling market, a £100m five-year eurobond issue expected to be launched on Monday and priced to yield around 380 basis points over gilts.

said Mr Joaquim Cottani, Argentina's under-secretary of finance. He said that if Argentina's budget deficit remained on target, it was likely to issue another \$2bn of bonds this year.

Poor's placed Turkey's foreign-currency ratings - B+ for long-term and B for short-term debt - on CreditWatch with negative implications, causing the yield spreads on the country's two outstanding dollar eurobonds to widen significantly.

The rally in US Treasuries following comments from Federal Reserve chairman Mr Alan Greenspan caused many emerging market bond spreads to widen, but Turkey did worse than most, dealers said.

WORLD BOND PRICES

Table with columns: Country, Coupon, Maturity, Price, Yield, Week ago, Month ago. Includes Australia, Austria, Belgium, Canada, etc.

Table with columns: Country, Coupon, Maturity, Price, Yield, Week ago, Month ago. Includes Italy, Spain, UK, etc.

Table with columns: Index, Price, Yield, Week ago, Month ago. Includes UK Gilts, FT-Actuaries Fixed Interest Indices, FT Fixed Interest Indices, etc.

Hutchison raises \$1.5bn

By Louise Lucas in Hong Kong

Hutchison Whampoa, the Hong Kong conglomerate controlled by Mr Li Ka-shing, yesterday signed a US\$1.5bn long-term loan facility, the biggest corporate borrowing in Hong Kong.

company's quality management, performance and track record. Pricing is considered tight by the lenders: the interest margin is 0.65 per cent per annum over London Interbank Offered Rate (Libor).

US INTEREST RATES

Table with columns: Rate, Month, Yield, Week ago, Month ago. Includes 1-month, 3-month, 6-month, 1-year, etc.

Table with columns: Country, Coupon, Maturity, Price, Yield, Week ago, Month ago. Includes France, Germany, etc.

Table with columns: Index, Price, Yield, Week ago, Month ago. Includes FT/ISMA International Bond Service, etc.

Table with columns: Index, Price, Yield, Week ago, Month ago. Includes Gilt Edged Activity Indices, etc.

BOND FUTURES AND OPTIONS

Table with columns: Country, Coupon, Maturity, Price, Yield, Week ago, Month ago. Includes France, Germany, etc.

Table with columns: Country, Coupon, Maturity, Price, Yield, Week ago, Month ago. Includes UK, etc.

Table with columns: Index, Price, Yield, Week ago, Month ago. Includes FT/ISMA International Bond Service, etc.

Table with columns: Index, Price, Yield, Week ago, Month ago. Includes Gilt Edged Activity Indices, etc.

UK GILTS PRICES

Table with columns: Index, Price, Yield, Week ago, Month ago. Includes Short-term, Medium-term, Long-term, etc.

Table with columns: Index, Price, Yield, Week ago, Month ago. Includes Other Fixed Interest, etc.

Table with columns: Index, Price, Yield, Week ago, Month ago. Includes DEUTSCHEN MARK STRAIGHTS, etc.

Table with columns: Index, Price, Yield, Week ago, Month ago. Includes CONVERTIBLE BONDS, etc.

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MARKETS REPORT

Greenspan brings little boost to dollar

By Gillian Tett

The dollar remained the centre of attention in the foreign exchange markets yesterday, as traders watched for the key half yearly testimonial from Mr Alan Greenspan, US Federal Reserve board chairman.

Some economists had hoped his comments would support the US currency, but in practice the dollar reacted nervously to Mr Greenspan's speech.

And though the dollar closed the day in European markets little changed from the previous night's levels, traders warned that the markets remained jittery and could drive the dollar further down in the days ahead.

Mr Greenspan's testimony to the senate banking testimony occurred shortly before the European markets closed.

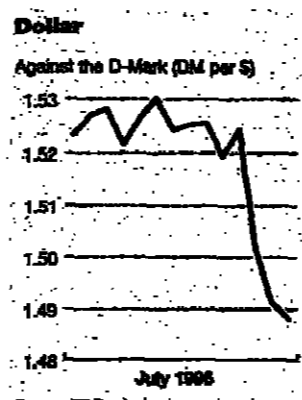
Consequently, the trading in Europe was generally quiet as dealers waited for Mr Greenspan's speech.

about the direction of US interest rate policy.

Mr Greenspan indicated that he intended to take pre-emptive action to guard against the risk of inflation.

However, others argued that the language was not strong enough to herald an immediate rise.

Mr Kit Juckes, currency strategist at NatWest markets said: "What Greenspan has said has left the markets feeling uncertain - it is nervous that monetary policy may not be tightened in time."



Source: FT Spot

that the dollar could trend lower soon.

He points out that hopes of an imminent rise in US interest rates have recently been undermined by the fall in US equity markets.

And Greenspan's comments gave little hint that rates were about to rise either, he argued.

"Greenspan's testimony will bring little cheer to the dollar," he concluded.

However, aside from the path of US interest rate policy, the other factor that is affecting the relationship between the US dollar and D-Mark is new uncertainty about German interest rates.

June - down from the level of 92.3 seen in May.

This trend provoked new hopes that the Bundesbank might be tempted to cut rates again, to stave off the risk of a broader economic slowdown.

As Mr Persaud said: "The survey has revived hopes that the next move in German repo rates will be down."

These thoughts not only pushed the dollar slightly higher against the D-Mark, but also boosted sterling.

The British currency closed at DM2.9053 in London trading, up from the previous day's level of DM2.9018.

Against the dollar it closed at \$1.5455, compared with the previous day's level of \$1.5455.

POUND SPOT FORWARD AGAINST THE POUND

Table showing Pound Spot Forward Against the Pound with columns for Closing mid-point, Change on day, Bid/offer spread, Day's high/low, and various forward rates for 1, 3, 6, and 12 months.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table showing Dollar Spot Forward Against the Dollar with columns for Closing mid-point, Change on day, Bid/offer spread, Day's high/low, and various forward rates for 1, 3, 6, and 12 months.

CROSS RATES AND DERIVATIVES

Table showing Exchange Cross Rates for various currencies including Belgium, Denmark, France, Germany, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK, Canada, USA, and Japan.

UK INTEREST RATES

Table showing UK Interest Rates for various terms including 12 months, 18 months, 24 months, 30 months, 36 months, and 42 months.

BASE LENDING RATES

Table showing Base Lending Rates for various banks including Adam & Company, Allied Trust Bank, AHS Bank, Citibank, HSBC, etc.

EURO CURRENCY UNIT RATES

Table showing Euro Currency Unit Rates for various currencies including Spain, Netherlands, Belgium, France, Germany, Italy, Portugal, Ireland, Denmark, and UK.

US TREASURY BILL FUTURES

Table showing US Treasury Bill Futures for various terms including 12 months, 18 months, 24 months, 30 months, 36 months, and 42 months.

EURO CURRENCY UNIT RATES

Table showing Euro Currency Unit Rates for various currencies including Spain, Netherlands, Belgium, France, Germany, Italy, Portugal, Ireland, Denmark, and UK.

WORLD INTEREST RATES

Table showing World Interest Rates for various currencies including Belgium, France, Germany, Italy, Netherlands, Switzerland, USA, Japan, and UK.

EURO CURRENCY UNIT RATES

Table showing Euro Currency Unit Rates for various currencies including Belgium, France, Germany, Italy, Netherlands, Portugal, Spain, Sweden, Switzerland, USA, and Japan.

EURO CURRENCY UNIT RATES

Table showing Euro Currency Unit Rates for various currencies including Belgium, France, Germany, Italy, Netherlands, Portugal, Spain, Sweden, Switzerland, USA, and Japan.

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Table showing Euro Currency Unit Rates for various currencies including Belgium, France, Germany, Italy, Netherlands, Portugal, Spain, Sweden, Switzerland, USA, and Japan.



Wheelock and Company Limited

(Incorporated in Hong Kong with limited liability)

1995/96 RESULTS

- Profit of HK\$2,459.2 million and earnings per share at HK\$1.22.
Total annual dividend per share at 41.0 cents, up 10.8%.
Difficult consumer market continued to prevail which had impact on overall performance.
8 Hong Kong property developments were put on market with over 840 units sold.
Wharf's core property portfolio enjoyed over 90% occupancy with reversionary growth.
Over 210 out of 330 luxury residential Ardmore Park units in Singapore pre-sold for total value exceeding \$51 billion.
Group telecommunications activities under Wharf Cable and New T&T making substantial headway.
Wheelock NetWest opened for business with quality professionals and secured meaningful mandates for corporate finance.
Sales of Largo and Great Wall beds exceed capacity and expansion plans now underway in Tianjin.
Long-term development of property, telecommunications, container terminal, investment banking and trading and services on target.

SUMMARY OF GROUP RESULTS

Table showing Summary of Group Results for Year ended 31st March, comparing 1996 and 1995 results across various metrics like Turnover, Operating profit, Exceptional items, etc.







Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 171) 674 4878 for more details.

Main table containing financial data for various funds and insurance products, including columns for fund names, prices, and performance metrics. The table is organized into multiple columns and rows, with sub-sections for different fund categories.

JAVICO LTD

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 874 4376 for more details.

Main table containing financial data for various funds, including columns for fund names, prices, and other metrics. Includes sub-sections like 'OTHER OFFSHORE FUNDS' and 'MANAGED FUNDS NOTES'.

JAVICO 1550

Advertisement for 'TAKE A BREAK FROM ORDINARY WEEKEND BREAKS' featuring a photo of a person relaxing and text describing weekend breaks in the UK and worldwide.

Vertical text on the left margin, possibly an advertisement or sidebar note.

Vertical text on the left margin, possibly an advertisement or sidebar note.

Vertical text on the left margin, possibly an advertisement or sidebar note.

Vertical text on the right margin, possibly an advertisement or sidebar note.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table with 2 columns: Company Name, Price/Value. Includes entries like Guinness, Heineken, etc.

BANKS, MERCHANT

Table with 2 columns: Company Name, Price/Value. Includes entries like HSBC, Citigroup, etc.

BANKS, RETAIL

Table with 2 columns: Company Name, Price/Value. Includes entries like Lloyds, NatWest, etc.

BREWERIES, PUBS & REST

Table with 2 columns: Company Name, Price/Value. Includes entries like Carlsberg, Heineken, etc.

BUILDING & CONSTRUCTION

Table with 2 columns: Company Name, Price/Value. Includes entries like Bovis Lend Lease, etc.

BUILDING MATS. & MERCHANTS

Table with 2 columns: Company Name, Price/Value. Includes entries like Bunnings, etc.

CHEMICALS

Table with 2 columns: Company Name, Price/Value. Includes entries like ICI, etc.

CHEMICALS - Cont.

Table with 2 columns: Company Name, Price/Value. Includes entries like BASF, etc.

DISTRIBUTORS

Table with 2 columns: Company Name, Price/Value. Includes entries like Asda, etc.

DIVERSIFIED INDUSTRIALS

Table with 2 columns: Company Name, Price/Value. Includes entries like Anglo American, etc.

ELECTRICITY

Table with 2 columns: Company Name, Price/Value. Includes entries like British Energy, etc.

ELECTRONIC & ELECTRICAL EQPT

Table with 2 columns: Company Name, Price/Value. Includes entries like Agilent, etc.

ENGINEERING, VEHICLES

Table with 2 columns: Company Name, Price/Value. Includes entries like BAE Systems, etc.

EXTRACTIVE INDUSTRIES

Table with 2 columns: Company Name, Price/Value. Includes entries like Anglo American, etc.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Table with 2 columns: Company Name, Price/Value. Includes entries like Agilent, etc.

ENGINEERING

Table with 2 columns: Company Name, Price/Value. Includes entries like BAE Systems, etc.

EXTRACTIVE INDUSTRIES - Cont.

Table with 2 columns: Company Name, Price/Value. Includes entries like Anglo American, etc.

FOOD PRODUCERS

Table with 2 columns: Company Name, Price/Value. Includes entries like Unilever, etc.

HOUSEHOLD GOODS

Table with 2 columns: Company Name, Price/Value. Includes entries like Unilever, etc.

INSURANCE

Table with 2 columns: Company Name, Price/Value. Includes entries like Aviva, etc.

INVESTMENT TRUSTS

Table with 2 columns: Company Name, Price/Value. Includes entries like Fidelity, etc.

EXTRACTIVE INDUSTRIES - Cont.

Table with 2 columns: Company Name, Price/Value. Includes entries like Anglo American, etc.

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INVESTMENT TRUSTS - Cont.

Table with 2 columns: Company Name, Price/Value. Includes entries like Fidelity, etc.

Advertisement for Merseyside Language Export Centre. Text: 'ONE OF THE RESULTS OF THE MERSEYSIDE'S NATURAL TALENT FOR LEARNING LANGUAGES IS INCREASED EXPORTS'. Includes contact info: 0800 22 0151.

ENGINEERING - Cont.

Table with 2 columns: Company Name, Price/Value. Includes entries like BAE Systems, etc.

FOOD PRODUCERS - Cont.

Table with 2 columns: Company Name, Price/Value. Includes entries like Unilever, etc.

GAS DISTRIBUTION

Table with 2 columns: Company Name, Price/Value. Includes entries like British Gas, etc.

HEALTH CARE

Table with 2 columns: Company Name, Price/Value. Includes entries like AstraZeneca, etc.

INVESTMENT TRUSTS SPLIT CAPITAL

Table with 2 columns: Company Name, Price/Value. Includes entries like Fidelity, etc.

FOOD PRODUCERS - Cont.

Table with 2 columns: Company Name, Price/Value. Includes entries like Unilever, etc.

GAS DISTRIBUTION

Table with 2 columns: Company Name, Price/Value. Includes entries like British Gas, etc.

HEALTH CARE

Table with 2 columns: Company Name, Price/Value. Includes entries like AstraZeneca, etc.

INVESTMENT TRUSTS SPLIT CAPITAL

Table with 2 columns: Company Name, Price/Value. Includes entries like Fidelity, etc.

INVESTMENT TRUSTS - Cont.

Table with 2 columns: Company Name, Price/Value. Includes entries like Fidelity, etc.

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LONDON SHARE SERVICE

ENVIRONMENTAL TRUSTS - Cont.

Table listing environmental trusts with columns for company name, price, and change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for company name, price, and change.

INVESTMENT COMPANIES

Table listing investment companies with columns for company name, price, and change.

LEISURE & HOTELS

Table listing leisure and hotel companies with columns for company name, price, and change.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies (continued) with columns for company name, price, and change.

LIFE ASSURANCE

Table listing life assurance companies with columns for company name, price, and change.

MEDIA

Table listing media companies with columns for company name, price, and change.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for company name, price, and change.

OIL, INTEGRATED

Table listing integrated oil companies with columns for company name, price, and change.

OTHER FINANCIAL

Table listing other financial companies with columns for company name, price, and change.

OTHER FINANCIAL - Cont.

Table listing other financial companies (continued) with columns for company name, price, and change.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for company name, price, and change.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for company name, price, and change.

PROPERTY

Table listing property companies with columns for company name, price, and change.

PROPERTY - Cont.

Table listing property companies (continued) with columns for company name, price, and change.

PROPERTY - Cont.

Table listing property companies (continued) with columns for company name, price, and change.

RETAILERS, FOOD

Table listing food retailers with columns for company name, price, and change.

RETAILERS, GENERAL

Table listing general retailers with columns for company name, price, and change.

RETAILERS, GENERAL - Cont.

Table listing general retailers (continued) with columns for company name, price, and change.

SUPPORT SERVICES

Table listing support services companies with columns for company name, price, and change.

SUPPORT SERVICES - Cont.

Table listing support services companies (continued) with columns for company name, price, and change.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for company name, price, and change.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for company name, price, and change.

TOBACCO

Table listing tobacco companies with columns for company name, price, and change.

TRANSPORT

Table listing transport companies with columns for company name, price, and change.

WATER

Table listing water companies with columns for company name, price, and change.

AIM

Table listing AIM companies with columns for company name, price, and change.

AIM - Cont.

Table listing AIM companies (continued) with columns for company name, price, and change.

AMERICANS

Table listing American companies with columns for company name, price, and change.

CANADIANS

Table listing Canadian companies with columns for company name, price, and change.

SOUTH AFRICANS

Table listing South African companies with columns for company name, price, and change.

ARE YOUR STAFF A DISASTER WAITING TO HAPPEN?

55% of business and IT disasters are caused by human error or accident. Another 30% are deliberate and malicious attacks - often by disgruntled employees. Who could bring your business down from the inside? Phone for this free guide now.



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SALES AND MARKETING

GUIDE TO LONDON SHARE SERVICE

Price for the London Share Service delivered by FT Data, a member of the Financial Times Group. Company quotations are based on those listed for the FT-SE 100 Index.

Market capitalisation shown is calculated separately for each line of stock.

Includes the most actively traded stocks. Includes UK stocks where transactions had prices published continuously through the day.

Company quotations are based on those listed for the FT-SE 100 Index.

Prices are shown in pence and are rounded to the nearest penny.

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LONDON STOCK EXCHANGE

MARKET REPORT

Buy programme and US optimism lift shares

By Steve Thompson, UK Stock Market Editor

Talk of a substantial programme trade carried out just before the close by UBS and weighted on the buy side gave a final flourish to UK equities yesterday, pushing the FT-SE 100 index back within striking distance of the 3,700 level.

Jones Industrial Average came as the first news of Mr Alan Greenspan's testimony on monetary policy filtered into the market. The Dow was ahead almost 20 points shortly after trading commenced in the US and up almost 50 points 90 minutes after London closed.

Marketmakers said London had also been influenced by some sizeable activity in the Footsie futures market and in the underlying stocks ahead of today's expiry of the July index options. Some big securities houses were said to have been working towards an expiry around 3,700 on the FT-SE 100.

Opinions about the stock market's short term performance remained divided, with some traders expecting the Footsie to run into selling pressure after today's expiry and others looking for London to consolidate its hard won rally and build on that next week.

Fund managers were said to be considering the medium term implications of this week's sell-off on Wall Street. But the general consensus among strategists was that London's recovery looked pretty secure and that confidence was being re-established as long as the Footsie held above 3,500. What was being made clear, however, was that Wall Street was in danger of falling to 5,200 on the Dow in the short to medium term and to 5,000 thereafter.

Licence boosts Lasso

News that Lasso has been granted a provisional production licence for its two Algerian oil discoveries, and that one of the big UK fund management groups has increased its shareholding, gave a big boost to the company's shares.

There was strong demand for international building materials group Redland. The shares jumped 19 to 419p, to make it the best Footsie performer of the day, following a UBS recommendation. Volume was 2.3m shares.

The company has been doing the rounds in the City, holding meetings with both institutions and brokers and UBS reiterated its recommendation on the stock after a meeting with the company.

Mr Simon Brown at the securities house believes, "the group is in line to realise shareholder value", and in addition, "the most efficient management is running a larger proportion of the asset base".

Sentiment in the stock had also been enhanced by recent reports about the improved housing market in Germany. Around 51 per cent of group profits at Redland are derived from Germany.

In the rest of the sector, RMC Group, another stock with German exposure, also that attracted the attention of investors and the shares closed 24 ahead at 1041p.

Enterprise Oil shares, which have recently embarked on a strong run, helped by a "charm offensive" series of presentations to analysts and institutions, closed 11 1/4 ahead at 491p.

BAA, the airports operator, slipped 2 1/2 to 487 1/2p on media reports which suggested that the Labour party was considering radical proposals to loosen its hold on London's three biggest airports.

BAA lodged a formal complaint to Mr Tony Blair's office. Mr Graham Allen, the shadow aviation minister, issued a statement that the Labour party had no plans to break up BAA, nor any proposal, should the UK Medicines Control Agency (MCA) to begin clinical trials with a product for the treatment and prevention of genital warts.

Cantab is to collaborate with SmithKline Beecham in developing the treatment. Shares in SmithKline hardened 4 to 67 1/4p following trade of 5.4m. It was announced after the market close that SmithKline Beecham had bought a 3.15 per cent stake in Cantab.

In the rest of the financials, retail banking stocks were firm throughout the session. Lloyds TSB, which reports figures next week, was in demand and the shares hardened 10 1/2 to 340 1/4p; the stock was said to have featured in their big programme trade.

The overnight strength of the Hong Kong market helped boost interest in HSBC and the shares finished the session 17 ahead at 1030p. Barclays, rose 15 1/2 to 792p.

NOTICE OF EARLY REDEMPTION To the Holders of Abbey National Treasury Services plc (the "Issuer") Italian Lire 200,000,000 10% Guaranteed Notes due 2000 (the "Notes")

U.S. \$300,000,000 Crédit Lyonnais Subordinated Floating Rate Notes Due 2000 Interest Rate 5.9375% per annum Interest Period 19th July 1996 to 21st January 1997

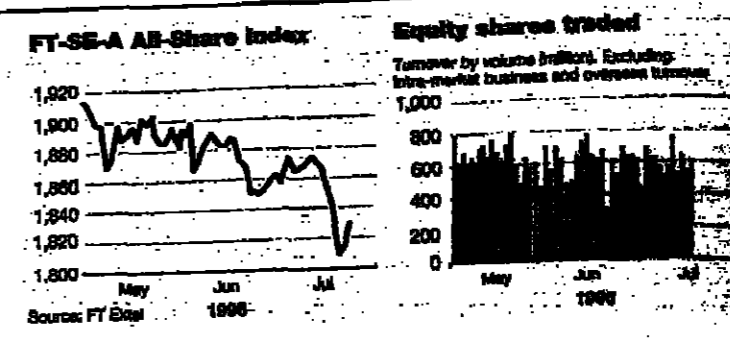
Alaska Housing Finance Corporation U.S. \$125,000,000 Floating Rate Notes due July 2001 Notice is hereby given that the Rate of Interest has been fixed at 5.9750% p.a. and that the interest payable for the current interest period 19th July, 1996 to 21st January, 1997 on the relevant interest Payment Date 21st January, 1997 in respect of U.S.\$10,000 nominal of the notes will be U.S.\$306.71.

NOTICE OF 1996 ANNUAL GENERAL MEETING OF SHAREHOLDERS The Annual General Meeting of Shareholders of The Alliance International Technology Fund, SICAV will be held at 2.30 pm on Friday, July 26, 1996 at the offices of Alliance International Fund Services S.A., 35 Boulevard Prince Henri, L-1724 Luxembourg for the following purposes:

SUN LIFE GLOBAL PORTFOLIO (SICAV) Registered Office: 14 rue Aldringen, Luxembourg R.C. Luxembourg B27526 DIVIDEND ANNOUNCEMENT The Board of Directors announce that a dividend has been declared on Haven Portfolio at the rate of 0.86 pence per share which will be paid on 9th August 1996 to the respective Shareholders of that portfolio as recorded at the close of business on 28th June 1996.

MARGINED CURRENCY DEALING CALL TOLL-FREE Laurion Account 0800 7480 Belgium 0800 7159 Fax 0800 7480 France 0590 6648 France 0300 482508 Ireland 1 800 550518 Italy 1678 7075 Norway 800 1181 Portugal 0556 463571 Spain 900 994914 Sweden 03079 1071 Switzerland 155 3548 OR CALL DIRECT Tel: +45 40 300 000 Fax: +45 40 301 001

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Equity shares traded Turnover by volume (million), excluding intra-market business and overseas business. Table with columns for Month, Volume, and Turnover.

Indices and ratios FT-SE 100 3683.4 +35.4 FT-SE All-Share 4226.2 +17.8 FT-SE All-Share ex Div 1851.8 +15.6 FT-SE All-Share Yield 1832.4 +14.3 FT-SE All-Share Yield 3.92 3.95

Best performing sectors 1 Life Assurance +1.8 2 Oil Exploration +1.8 3 Banks: Retail +1.8 4 Building Mats & Merchs +1.4 5 Electronic & Elec +1.4

Worst performing sectors 1 Gas Distribution -0.8 2 Distributors -0.3 3 Chemicals -0.3 4 Textiles & Apparel -0.3 5 Extractive Inds -0.3

FUTURES AND OPTIONS FT-SE 100 INDEX FUTURES (LFFE) 25 per full index point. Table with columns for Month, Open, Settle, Change, High, Low, Est. Vol, Open Int.

FT-SE 100 INDEX OPTION (LFFE) 25 per full index point. Table with columns for Month, Open, Settle, Change, High, Low, Est. Vol, Open Int.

EURO STYLE FT-SE 100 INDEX OPTION (LFFE) 25 per full index point. Table with columns for Month, Open, Settle, Change, High, Low, Est. Vol, Open Int.

MARKET REPORTERS: Steve Thompson, John Kibazo, Lisa Wood, John Diadiu.

LONDON RECENT ISSUES: EQUITIES Table with columns for Issue, Amt, Mkt. Price, High, Low, Stock, Div. Yield, Net. Div. Yld, P/E, 52 Week High, Low.

FT GOLD MINES INDEX Table with columns for Issue, Amt, Mkt. Price, High, Low, Stock, Div. Yield, Net. Div. Yld, P/E, 52 Week High, Low.

TRADING VOLUME Major Stocks Yesterday. Table with columns for Stock, Volume, % Change.

FT-SE Actuarial Share Indices Table with columns for Index, Day's Change, 12 Month, 5 Year, Div. Yield, Net. Div. Yld, P/E, 52 Week High, Low.

FT-SE Actuarial All-Share Table with columns for Index, Day's Change, 12 Month, 5 Year, Div. Yield, Net. Div. Yld, P/E, 52 Week High, Low.

Hourly movements Table with columns for Index, Open, 9.00, 10.00, 11.00, 12.00, 13.00, 14.00, 15.00, 16.00, High/Low, Low/Lowday.

FT-SE Actuarial 350 Industry baskets Table with columns for Index, Open, 9.00, 10.00, 11.00, 12.00, 13.00, 14.00, 15.00, 16.00, Close, Previous Close, Change.

السوق العالمية

WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

EUROPE

Table of stock market data for Europe, including sections for Argentina, Belgium, Denmark, Germany, France, Greece, Ireland, Italy, Japan, Korea, Netherlands, Portugal, Spain, Switzerland, and Taiwan. Columns include stock symbols, prices, and changes.

INDICES

Table of stock market indices for various regions including Australia, Canada, Hong Kong, India, Korea, Malaysia, New Zealand, Singapore, South Africa, and Thailand. Columns include index values and changes.

From outer space to the factory floor Rockwell leads the way. Rockwell logo.

ASIA

Table of stock market data for Asia, including sections for Australia, Canada, Hong Kong, India, Korea, Malaysia, New Zealand, Singapore, South Africa, and Thailand.

AFRICA

Table of stock market data for Africa, including sections for South Africa, Nigeria, and Kenya.

US INDICES

Table of US stock market indices including Dow Jones, S&P 500, and NYSE. Includes columns for index values and changes.

Table of stock market data for North America, including sections for Canada, Mexico, and Central America. Includes columns for stock symbols, prices, and changes.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and volume. Includes sub-sections for 'D', 'H', 'L', 'P', 'G', 'K', 'J', 'I', 'H', 'K', 'J', 'I'.

BE OUR GUEST. PHOENICIA. When you stay with us in VALLETTA (Malta) stay in touch with your complimentary copy of the FINANCIAL TIMES.

JALISCO LTD

Continued on next page



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NYSE PRICES

Table of NYSE stock prices. Columns include stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'T', 'U', 'V', and 'W'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices. Columns include stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'X', 'Y', and 'Z'.

AMEX PRICES

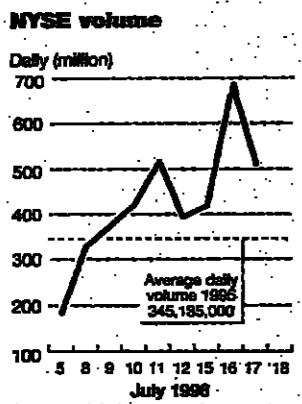
Table of AMEX stock prices. Columns include stock name, price, change, and volume.

Advertisement for Norway. Text: "Have your FT hand delivered in Norway. Gain the edge over your competitors by having the Financial Times delivered to all subscribers in the business centres every working day. Hand delivery services are available for all subscribers in the business centres of Bergen, Oslo, Stavanger and Trondheim. Please call +46 8 791 23 45 for more information. Financial Times. World Business Newspaper."

AMERICA US equities move higher at midsession

Wall Street

Hopes that the Federal Reserve would not raise interest rates in the near term sent US share prices sharply higher in early afternoon trading, writes Lisa Branstetter in New York.



Volume was 237m shares. A better than expected quarterly report from Apple Computer combined with the interest rate expectations to cheer the battered technology sector.

EUROPE Deutsche Bank advances on acquisition talks

FT/SE Actuaries Share Indices

Table with columns for Date, Index Name, and Values. Includes FT-SE 100, FT-SE 250, and FT-SE 1000 indices for various dates.

The Continent's equity markets were relatively quiet yesterday. FRANKFURT saw modest price movements, although activity did pick up slightly during late afternoon.

THE EUROPEAN SERIES

Table with columns for Date, Index Name, and Values. Includes EURO STOXX 50, EURO STOXX 100, and EURO STOXX 200 indices.

PARIS was slightly disappointed after the Bank of France left interest rates unchanged, even though most investors had not been expecting a move.

EUROPEAN EQUITIES TURNOVER

Table showing monthly turnover for European equities in local currencies (Bn) for March, April, May, and June 1996.

Domestic share trading activity was sharply higher in Germany during June, but the 27.5 per cent rise on the month, and 28.7 per cent on the year, was entirely the result of a surge in volumes on June 21, accompanying the triple options and futures expiry.

ASIA PACIFIC

Tokyo sees recovery in technology, financial sectors

Wall Street's recovery encouraged buyers, but while share prices gained ground, volumes remained sluggish due to lingering cautiousness over interest rates, writes Emma Terzani in Tokyo.

Haeco fell 65 cents to HK\$20.25 and Miramar Hotel & Investment lost HK\$0.35 to HK\$15.20. Both companies are to be replaced in the Hang Seng index on August 30.

TAIPEI was lifted by the financial sector which left the weighted index up 19.47, or 0.3 per cent, at 6,122.20. Turnover was 7340.6bn. Among financials, China Life scored 7 per cent, or 183.50, to 1768.50.

Volatility in Mexico

Mexican stocks were traded in a volatile fashion, reversing light early gains before recovering again by midsession. The IPC index was up 35.47 at 3,025.74.

Tokyo

Wall Street's recovery encouraged buyers, but while share prices gained ground, volumes remained sluggish due to lingering cautiousness over interest rates, writes Emma Terzani in Tokyo.

S African industrials higher

Johannesburg's industrial shares ended at the day's best levels, propelled higher by a stronger start on Wall Street, with investors more optimistic about gains on the Dow following the strong earnings figures from Intel.

Roundup

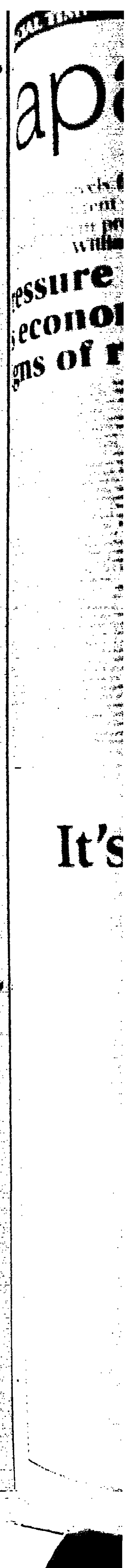
SYDNEY just missed closing at an intra-day high, as the All Ordinaries index ended up 23.5, or 1.1 per cent, at 2,066.1. Volume was 269.4m shares valued at A\$833.2m.

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15 July 1993

Friday July 19 1993

FINANCIAL TIMES SURVEY

Friday July 19 1993

# Japan

As productivity levels fall, there is a growing belief that the current return to prosperity is less assured than previous economic revivals, reports William Dawkins in Tokyo.

## Pressure relieved as economy shows signs of recovery

The clouds are lifting, and yet the changes wrought by the typhoon have been less dramatic than many Japanese at first thought.

The past four years of economic stagnation, exchange rate pressure, financial crisis and political upheaval have been challenging ones.

They have been seen by some as the potential catalyst for a new opening, on a par with the decade after the end of the Second World War, when Japan, driven by a different kind of crisis, made the transformation from defeated military dictatorship to one of the world's mightiest industrial democracies. The reality has been evolution, not revolution.

Certainly, the past few years have posed the biggest test yet of the old certainties that underpinned Japan's post-war success - unstoppable economic growth, stable one party government, an unshakable alliance with a protective US, lifetime employment, and social stability.

Those values have been re-evaluated but, on the whole, the foundations of the old system, conservatism and respect for consensus, have survived. The pressure is off, thanks to a weaker yen and economic

recovery. Some economists fear that the pressure has come off too soon - see report, page 5.

The resilience of the old system used to be a strength when high growth was a certainty. But it could, fear many politicians and economists, become a weakness in the years ahead, by delaying Japan's reaction to a new set of challenges, externally from the growing industrial competition from east Asia and China's growing economic and military clout, and internally from the financial demands of the fastest ageing demographic profile of any leading economy and an explosion of government debt.

The first former certainty to be tested - endless economic growth - clearly holds no longer. It has been the longest downturn since the 1930s. Average output growth has slowed from just over 3 per cent in the last half of the 1980s, to a mere 0.5 per cent in the first half of this decade.

Even after this recovery, growth is expected to average a mere 2.4 per cent in the current decade, and slide to 1.2 per cent in the next, according to a recent study of the economic outlook in the next century by the Nihon Keizai Shimbun newspaper.

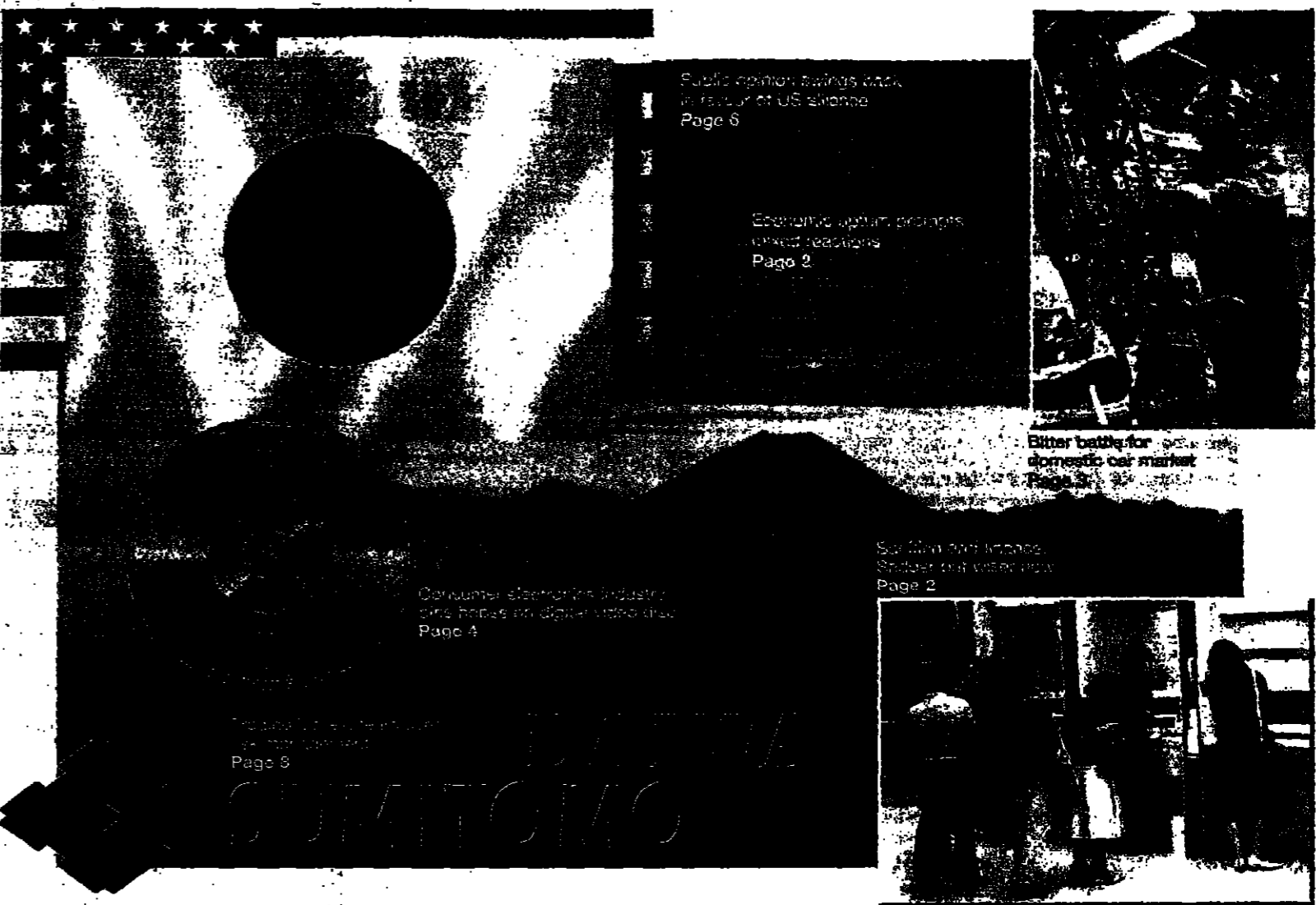
The second value to be put

on trial - but this time proved to endure - is the dominance of the conservative Liberal Democratic Party. Three years ago, Japan appeared to be on the brink of peaceful revolution, after a band of LDP rebels left the party, threw it out of government for the first time in nearly four decades, and set up a coalition government devoted to economic deregulation and to putting consumers' interests before the producers' lobbies that used to dominate policy.

A year later, the LDP was back in a curious coalition under a socialist prime minister. The LDP's revival strengthened further in January, when its leader, Mr Ryutaro Hashimoto, became prime minister. Opinion polls suggest the party will increase its size as the dominant minority in a general election later this year or early next.

There has been a deeper renegotiation of another important post-war value, relations with the US, which underwrote Japan's economic growth by relieving it of the need to provide its own defence, beyond its immediate frontiers.

Japan started to accord trade interests more prominence in its US relations three years ago, a belated consequence of the collapse of the Soviet



Union. Tokyo's refusal to bend to US trade pressure has since toughened - and it is no accident that Mr Hashimoto owes much of his popularity to having resisted US demand in last year's talks on access to the Japanese car market.

At first, the foreign ministry was acutely anxious that being tough on trade might jeopardise the security link.

That anxiety reached a new intensity last autumn, when the rape of a schoolgirl in Okinawa by three US servicemen provoked an unprecedented public questioning of the value of the alliance, and the largest anti-US demonstrations since the 1980s.

But in the event, the debate proved the catalyst for both sides' governments to strengthen the alliance, as agreed at a summit between Mr Hashimoto and US president Bill Clinton in May.

There is now, say diplomats

in Tokyo and Washington, an unspoken agreement to keep trade and security matters separate. The foundation of the alliance is, by common consent, secure, but Japan has won slightly more independence.

Unemployment is at record levels for Japan, but still low by industrialised world standards.

Another foundation of the Japanese system, the social contract of lifetime employment in return for a life of hard work and loyalty, has also been shaken - but again proved durable.

One of the recession's most

salutary effects was to expose a surplus of labour in an economy that used to suffer from a shortage of workers. Corporate Japan accordingly cut its labour costs as hard as the taboo against redundancy would allow. Unemployment rose as a result from just over 2 per cent at the turn of the decade to a record 3.5 per cent at the latest count, in May. But cost-cutting has in fact been gentle, and many surplus workers were shifted to alternative back-office jobs.

Japan's high productivity, once generally accepted as the world standard, has weakened. Manufacturing output per man-hour was ahead of the US before the recession. Now it is just over 70 per cent of the US level, according to the Japan Productivity Centre, a private sector think tank.

In short, the Japanese system has moved through the recession with remarkably lit-

tle crisis. And yet there have, to be fair, been some significant changes in attitude.

The corporate world, for example, has been forced more open, for good and bad, to international market forces. It is why Rupert Murdoch's News Corp was recently able to take a stake in a Japanese television station and why Ford, the US car company could take management control of Mazda - both unprecedented investments, which could have never happened before the recession.

The erosion of old barriers to the outside world has sometimes been painful, as Daiwa Bank discovered when it was unable to conceal its \$1.1bn US bond dealing losses, a blow to the international credibility of the Japanese financial system.

Another change is that the network of mutual obligations - between politicians, officials and businessmen - subtly loosened. This has opened the way

for deregulation in a number of industrial sectors, such as telecommunications, oil refining, retailing and fund management. But deregulation overall has been patchy and moderate - and is certainly not a priority of the LDP government.

"The system is not exactly backward-looking. But there still has to be harmonious relationship between political powers and the civil service. Vested interests still have to be preserved," says Mr Dan Harada, a veteran political lobbyist.

For many Japanese, this relatively trouble-free passage through recent trials has been a boon, even if an enormous frustration for foreign companies still trying to prise their way into the many sectors still protected by official regulation and social tradition.

But for the citizens of Japan,

Continued on Page 3

ion talks

Japan's economic performance

Year	GDP Growth	Inflation	Unemployment
1989	4.8%	2.5%	2.1%
1990	5.0%	2.5%	2.1%
1991	3.9%	2.5%	2.1%
1992	3.5%	2.5%	2.1%
1993	2.4%	2.5%	2.1%

ancial sector

Financial sector

The financial sector has been a key area of focus for the government, with various measures being implemented to stabilize the market and improve efficiency.

In the market

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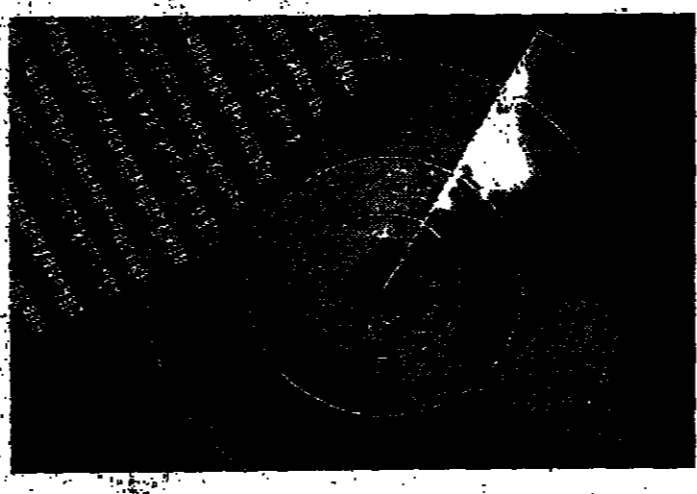
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2 JAPAN Economics and finance

Economic prospects • By William Dawkins

# Mixed reactions on upturn

There is widespread scepticism among Tokyo economists over the sustainability of the latest recovery

Mr Nobuhiko Kawamoto, president of Honda, the car producer, is celebrating Japan's economic recovery from the longest slowdown since the 1930s with mixed feelings. "The company," he says, "expects record profits in the current year. And yet if only the strong yen, a big factor in the past recession, had persisted for a little longer, Honda would have made better competitive gains, he adds. Mr Kawamoto's remark highlights the central dilemma of Japan's economic future.

It took a crisis, last year's rise of the yen to ¥79.75 to the dollar in April, to force companies to start to cut surplus labour and industrial capacity - some of the main weaknesses exposed by the post-bubble downturn. But the yen has since weakened by 27 per cent, after hovering for just four months between a punishing ¥80 and ¥85.

Has Japan emerged from this recession in leaner and meaner shape? Or has the pressure come off too soon, before company bosses have had a proper chance to persuade a conservative society to make painful changes?

On the surface, it looks as if the Japanese economy has once again demonstrated formidable underlying strength. In the first quarter of this year, gross domestic product expanded by an annualised 12.7 per cent, the fastest for 23 years, or by 5.7 per cent from the same quarter last year. It is the second quarter of robust growth, after a 2.7 per cent year on year increase in the final three months of 1995.

Most economists think those figures overstate actual growth, because of a host of statistical anomalies. But even so, the consensus is that the economy will grow by between 2.5 per cent and 3 per cent in 1996, a decisive end to three years of stagnation.

For once, the three main engines of Japan's economy - private spending, corporate investment and government

investment - appear to be firing together. In the first quarter, private consumption rose by 5.1 per cent against the same period last year, corporate investment by 7.4 per cent and government investment by an astonishing 27.3 per cent, according to the government's Economic Planning Agency.

The data may be imperfect, and yet companies are behaving as if the upturn is, unlike false dawns in each of the past three years, real. Cheered by a 23 per cent rise in pre-tax profits, the fastest growth in seven years, several leading companies - including Honda - have started to hire people again.

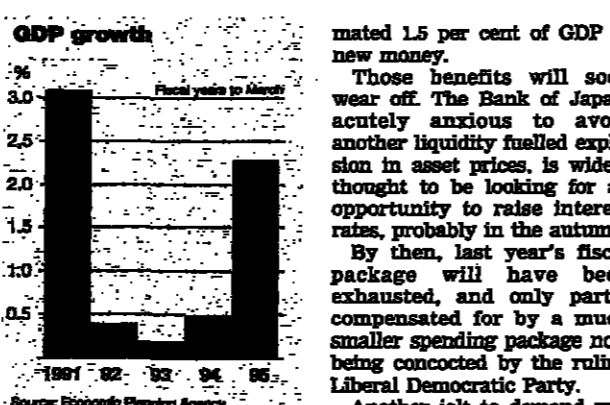
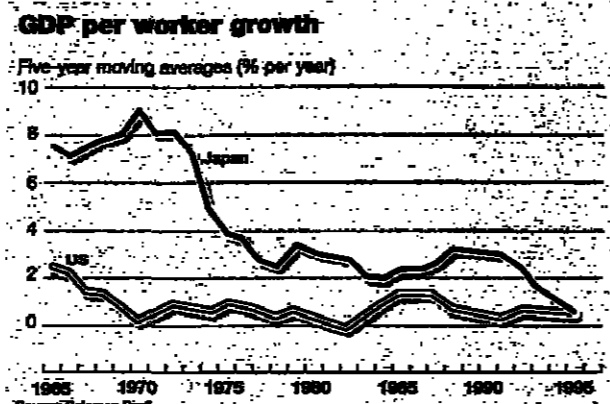
As a result, the ratio between available jobs and job seekers started to improve from the middle of last year. But it has not been enough to make a dent in overall unemployment, which hit a record 3.6 per cent last month.

There is, at the same time, evidence that recession did bring some structural change - but again, this is restricted to a few specific areas. Deregulation has been slow, but it has begun to make an impact. In retailing, there has been fast growth in supermarket openings and a decline in prices, as restrictions on new stores have been partially dismantled by law.

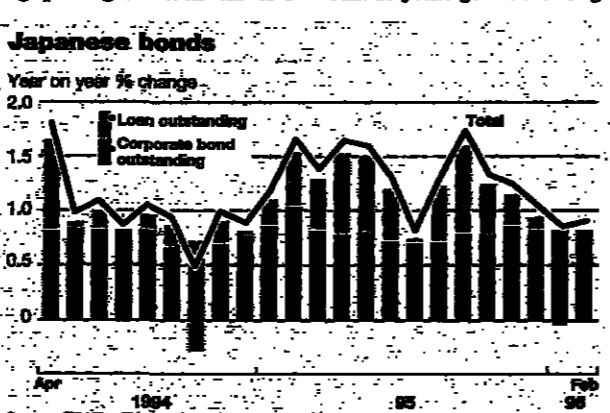
Several important sectors - such as telecommunications, television and oil importing - have been opened to foreign competition. The taste for change extends to industry policy. The acquisition of a controlling stake in Mazda by Ford, the US car company, and the purchase of a large shareholding in Asahi National Broadcasting by Mr Rupert Murdoch's News Corp, suggests that forces of change are meeting the least resistance for decades.

So much for the good news about Japan's immediate recovery. Yet several constraints to medium and long term growth remain.

First, there is widespread scepticism among Tokyo economists over the sustainability of the recovery. The consensus - admittedly of very disparate

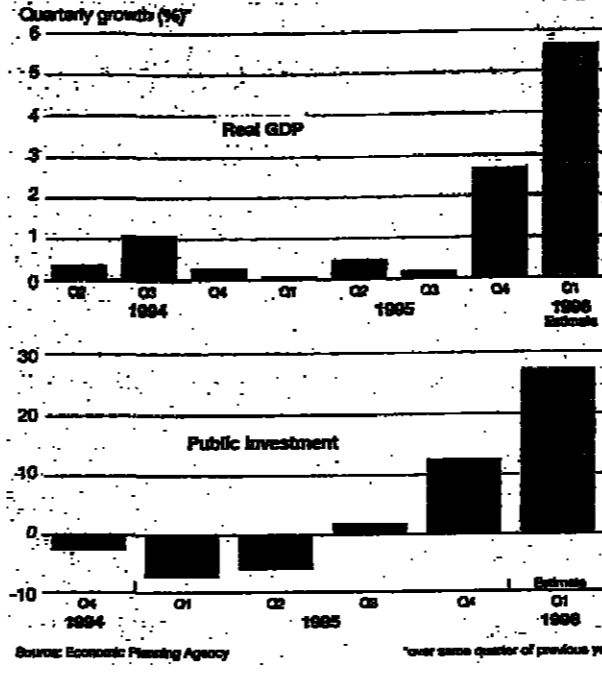


forecasts - is that GDP growth will ease to a sedate 2 to 2.5 per cent next year. Why? For one reason, the recovery is largely driven by the government. It would, indeed, have been a disaster if the economy had failed to pick up, having received last September the largest fiscal and monetary boost in modern Japanese history, a halving in the official discount rate to 0.5 per cent and a ¥14,200bn public spending package, worth an estimated 1.5 per cent of GDP in new money.



Source: Economic Planning Agency

## Real GDP and public investment



Source: Economic Planning Agency

a survey by the Japan External Trade Organisation. That proportion is forecast by Jetro to rise to nearly 27 per cent by the end of the decade. Domestic demand, meanwhile, is weaker than the recent GDP figures suggest. There has been a decline in outstanding bank loans in every month since last September, suggesting that demand for cash is weak, argues Mr Richard Koo, senior economist at Nomura Research Institute.

Most of the stimulus, he argues, has therefore come from expansionary fiscal policy, rather than from low interest rates. The expected fiscal tightening would thus be a grave mistake, argues Mr Koo. Japanese investors appear to appreciate this, in that they have been buyers of government bonds in recent months. Foreign investors, eager buyers of equities, continue to believe in the economy's underlying strength, points out Mr Koo. Only time will tell whether Japanese bond buyers or foreign equity buyers are right. But time points to two other long term constraints on growth: an ageing population and declining productivity. Japan has the fastest ageing demographic profile of any leading economy. The proportion of over 65s will rise from the present 18 per cent of the population to 27 per cent by

Banking and finance • By Gerard Baker

# Sadder but wiser now

Bankers are on the defensive. To ensure there is no repeat of the disasters of the last few years, the government is committed, at least in principle, to shaking up the financial system

Ten years ago, if you believed the lurid headlines, Japanese banks were poised to conquer the world. Propelled by the country's enormous financial surpluses - the world's largest - financial institutions' growth was geometric. Having been largely obscure foreign names in the 1970s, by the mid-1980s, the Japanese accounted for six of the world's ten largest banks.

But what most impressed outsiders about these newcomers was their apparent strength. The largest banks very quickly earned top credit ratings. The reason, according to financial analysts, was that they enjoyed hidden strengths way beyond simple balance sheet measurements.

Today, those hidden qualities are viewed rather differently. The reputations of some of Japan's leading institutions have now been sullied by recent failures

Like a storm that had long threatened to break, the accumulation of bad loans hung over the economy throughout the early 1990s. It was last summer when that storm finally broke. A string of smaller credit associations collapsed in a midsummer panic. In August, Ryogo Bank became the first listed bank to fail for half a century. Then Daiwa Bank, one of Japan's largest, was thrown out of the US for hiding massive losses from American regulators - a cover-up at which, it was claimed, the finance ministry itself connived. Japanese banks were forced to pay a high premium to borrow in international markets as fears of a systemic collapse spread. Finally, at the end of last year, came the government's ill-conceived plan to spend ¥655bn of public money

Continued on facing page

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# Banks are forced to put their chaotic houses in order

Continued from facing page

towards a bailout of the country's virtually bankrupt so-called housing loan companies.

This last move had the effect of adding the wrath of popular disapproval to the banks' woes. Revelations about improper relationships between banks, the housing lenders, the finance ministry and a host of characters from the criminal underworld inflated taxpayers, who were being asked to foot part of the bill.

It was only last month that the government won a Pyrrhic victory by getting parliament to approve the bailout after promising to reduce the public contribution to it.

Bankers, then are on the defensive.

To ensure there is no repeat of the disasters of the last few years, the government is committed, at least in principle, to shaking up the financial system - deregulating faster, forcing banks to take more individual responsibility for their actions, rather than have the regulators underwrite their folly.

And even the powerful bureaucracy itself has had to take its share of the blame. The crisis has led to calls for reform of the finance ministry too, though that seems likely to come to naught.

The banks themselves have started to put their chaotic houses in order. In the year to March, the big lenders wrote off more than ¥10,000bn in bad loans, and reported record combined pre-tax losses of ¥3,000bn as a result.

Several banks have even started to review their global ambitions - code for retrenchment. The Long Term Credit Bank of Japan (LTCB) and Sumitomo Bank were the first to have formally committed themselves to shrinking their balance sheets. And all banks claim they are sadder but wiser for their experience.

But few doubt that old problems remain. For one thing, in spite of efforts designed to improve their poor disclosure practices in the last year,

banks still keep investors and customers in the dark about the full extent of their ultimate liabilities in the bad debt mess. There are still billions of dollars in bad loans at non-banks and other financial institutions few people have even heard about. Much of that will have to be covered by banks, yet no-one knows how much.

What is more, while attention has been focused on the role of individual banks and their managers in the debacle of the last few years, there has been little attempt to address the real systemic problems that helped create it.

These come down in essence to a banking structure that was designed for a different era of economic development -

**There are still billions of dollars in bad loans to be covered.**

a system designed to ensure that banks channelled cheap funds to capital starved industry in the heady days of the 1950s and 1960s.

That stage of economic growth in Japan is now long past, leaving banks seeking a new role. Yet the strict rules that still limit what banks, securities companies and other institutions may do, prevents them from developing that new role.

As the Japanese economy slowly gathers momentum after the long recession of the last four years, the immediate pressures on banks and on the financial regulators to change will subside.

But it will be a pity if the pressure disappears completely. Without a radical overhaul of the very structures of Japanese capital, the economy will ultimately be handicapped by an essentially uncompetitive and outmoded financial system. That is not something the rest of the Japanese corporate sector will welcome.

Motor industry • By Michiyo Nakamoto

# Bitter battle for domestic car market

## New vehicle sales slumped by 4.3 per cent, year-on-year

In an effort to boost their sagging fortunes, Japan's leading car makers last year called upon the services of two young baseball players whose spectacular performances made them national heroes and helped to revive waning popular interest in the game in the process.

Toyota, the country's largest car manufacturer, enlisted Hideo Nomo, who rose to national fame, both in Japan and the US, with his "tornado" pitch for the Los Angeles Dodgers, the big league team, following Nissan's employment of Ichiro Suzuki, a leading batter with the Orix Blue Waves.

But as competition in the domestic car market intensifies amid a fragile recovery, both companies must be hoping that their performance does not follow the example of the two heroes who have put in a somewhat less than stellar performance this year.

Japan's car manufacturers are fighting an increasingly bitter battle for the home market. Last month, sales of new vehicles slumped by 4.3 per cent year-on-year, according to the Japan Automobile Dealers Association. For the first half of the year, new car sales in Japan have fallen 0.7 per cent to 1.81m units.

The market's sluggishness, in a year which is supposed to see strong replacement demand from the large numbers of consumers who bought their cars during the peak years of the bubble economy, has prompted concerns that market growth this year will not achieve the level forecast at the beginning of the year.

Mr Yoichiro Tsuji, chairman of the Japan Automobile Manufacturers' Association, JAMA, indicated recently that given the weakness of demand in the first half, the industry association's forecast for demand in the Japanese market may have to be revised. Mr Tsuji said that while demand is undoubtedly coming back, "it is insignificant".

The domestic market is crucial to maintaining production in Japan, which has fallen dra-

matically due to the shift overseas. In the past five years, domestic production has dropped by 3.9m units - a figure equivalent to the total annual production in Japan of Toyota, Japan's largest car maker, or three times that of Honda.

Against this environment, Japanese car makers are focusing their energies on the one sector of the domestic market which appears to guarantee success, at least for the time being.

Recreational vehicles, including station wagons, off-roaders and mini-vans, have been attracting much of the buying among Japanese consumers who have been avidly pursuing a new-found taste for the great outdoors and the do-it-yourself lifestyle.

These vehicles, which were not a popular sector of the market until about four years ago, have increased their share of the market from 15 per cent in 1991 to nearly 30 per cent last year with 1.37m units, according to JAMA.

Japanese car makers which have a strong RV line-up have benefited greatly from this trend. Although it has been losing ground recently, Mitsubishi Motors, for example, had put in a strong performance over the past few years, largely on the strength of its RVs.

Honda, which suffered two years of declining profits in 1993 and 1994, has made a strong recovery on the back of its widely sought RVs which have been introduced in rapid succession over the past year and a half.

### Contrast

Meanwhile, Toyota, which has been under pressure in the domestic market due to a sharp decline in sales of medium range mass-selling models, such as the Mark II, has enjoyed a flood of orders for its Ipsum, a newly launched mini-van. But even as they try to make the best of the RV boom at home, Japanese car makers are looking further ahead to a future of greater uncertainty.

Few expect a continuation of the kind of strong demand for RVs that is seen today. The question that every Japanese

car executive is asking himself is: "What next?"

There is no doubt that the maturity of the Japanese market has led to a diversity of taste, notes Mr Akhiro Wada, executive vice president of Toyota. "Each market is differ-

ing to foresee what kind of car will sell can't be done by market research," he says.

Toyota, along with many other car manufacturers, uses what is known as "simultaneous engineering" whereby different steps in the develop-



The race is on to cut costs and development time

ment process take place at the same time, rather than in sequence. But the company has taken simultaneous engineering further than most companies, Mr Wada claims.

Usually, simultaneous engineering involves the manufacturing department taking part in discussions during the development stage to make suggestions on what can - or cannot - be done on the production line or how a particular feature on a new model might boost costs.

But at Toyota, the production engineering division people look at the design before it is fixed and only after the design and manufacturing teams agree on the design does it go up to top management for approval.

The process is not restricted to just discussions between different teams, but the factory thinks ahead about how the car is to be manufactured while the design is being considered. This is possible because the company generally knows where a particular model is to be manufactured by the time the design is fixed.

The system gives Toyota a significant advantage over car makers which do not decide where a particular model is

going to be made until a relatively late date.

A shorter development time may be crucial in responding quickly to a fickle market. However, Honda, which has been one of the greatest success stories in the RV market, says that it is having a winning concept for cars that determines success.

Honda has recently introduced a slew of market-winning RVs, seemingly at a rapid pace. The CR-V, a sports utility vehicle, was indeed, developed in 17 months. But the company says that it took 28 months on the development of two of its most recent vehicles.

"From my point of view, reducing development time is not a priority of our development strategy," emphasises Mr Tomoyuki Sugiyama, executive chief engineer at Honda. "The most important thing is the concept," he says.

In the recent years, as it was faced with the need to cut costs drastically, Honda has succeeded in increasing the use of common parts in its range, thus saving costs and development time. For example, 50 per cent of the Odyssey's parts - in value terms - comes from other Honda cars.

as does 60 per cent of the parts in the Orthia, a station wagon based on the Civic.

But Honda, which did not have its own recreational vehicles until it introduced the Odyssey in late 1994, has been successful even as a latecomer, mainly because of the new concept it introduced into the Japanese market - that of an RV, based on passenger cars.

Unlike RVs based on trucks, Honda's RVs which share engines with the Accord and other passenger cars and use suspensions that offer the smooth steering and comfort of a sedan, have appealed to a growing number of users who want an RV but do not want to drive a truck.

Honda has tried to differentiate its products by spending sufficient time to develop a concept that is unique and that meets market needs.

Whether it is a shorter development time, or bright ideas, that will determine tomorrow's winners, one certainty is that the turbulence in the domestic market has found Japanese car makers competing to improve their skills even more, which in turn, is bound to further raise their competitiveness in world markets.

# Prosperity now less assured

Continued from page 1

the country is safe and prosperous. Unemployment, even at its record high, is among the lowest in the industrialised world, and GDP per head is among the highest. And yet, there is a growing sense that the current return to prosperity is less assured than previous economic revivals.

### Social strain

If productivity growth continues to fall at its present rate, living standards will start to decline in 15 years' time, according to a projection by Salomon Brothers, the US securities house.

What is certain is that the proportion of people over 65

will rise by nearly 10 percentage points to 27 per cent of the population by 2010, placing huge demands on the government budget and a social strain on the workforce.

The fear is that the existing consensus-based system cannot react fast enough to deliver the reforms in tax, social and industrial policy needed to cope with Japan's accelerating transition to a mature economy.

The problems of the future will be different, but the system has not yet adapted. It will be a rocky road.

□ Japan's movers and shakers: personality profiles - see Page 7  
□ Political scene: moving full circle - see report, Page 8

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EDA

4 JAPAN Industrial scene

Energy requirements • By Eniko Terazono

Public anxiety over nuclear power

An incident at an experimental fast breeder reactor in western Japan last year has fuelled opposition towards nuclear energy

The Japanese government has learned to add an environmental twist to its message over the country's energy policy...

It is hoping that a new long-term projection of the country's supply and demand for energy will back up its claims...

However, the government needs all the support it can get as public anxiety towards nuclear power has heightened over the past few years...

According to a survey by Miti, during the 1970s, it took 10 years for an electric power company to start operating a plant...

Although the Japanese government's energy plan calls for the construction of 15 nuclear power stations over the next 14 years...

a fear that the target may not be met.

Some utilities have already abandoned nuclear reactor construction plans...

The problem has been aggravated by last year's leak of three tonnes of non-radioactive sodium coolant...

The public outcry and calls for a permanent closure of Monju in Fukui has been so great...

The handling of the incident by the Power Reactor and Nuclear Fuel Development (PNC)...

Fears over nuclear power have risen in recent years

age caused by the leakage and also failed to report the accident immediately to the municipal government...

The company paid local fishermen Y4m in compensation but was forced to halt purchase procedures in 1993...

The plan has divided residents of Maki, and calls for a referendum heightened in 1994...

Steel industry • By Eniko Terazono

Asian rivals undercut prices

Japan's steel industry is sounding warning bells over the rising threat from international steel producers

Although the gradual recovery of the Japanese economy has helped the country's leading steelmakers...

A report recently released by the Japan Iron and Steel Federation highlights the rise of China as a leading steel producer...

China aims to boost crude steel production to 105m metric tons by the year 2000...

Growth in demand from the rapidly developing Asian region has presented opportunities for the world's steelmakers...

Ever since an accident in 1981 at the Mihama PWR plant - located in the north of Kyoto...

New reactors planned for construction in Japan over the next five years have been boiling water reactors...

POSCO, Korea's state-owned steelmaker, has especially started to export aggressively...

Adding to the pressure, is Japanese companies' increasing enthusiasm for cheaper steel from overseas...



Employment levels in the steel industry have been cut back drastically

to supply steel produced in Korea to Japanese manufacturers based in Asia.

Marubeni, a leading trading company, recently announced that it would form a joint venture with Daewoo of Korea...

Meanwhile, the improved quality of Korean and US manufacturers and the high yen have eroded loyalty among domestic steel users...

Cost-savings

Amid the adverse climate, the country's steel companies have intensified their efforts to cut costs by personnel reduction, asset sales and debt

reduction. In spite of their problems, the companies have continued to uphold the Japanese traditional management system...

According to UBS Securities in Tokyo, overall employment levels have been cut drastically...

The reduction of white collar workers have also been large.

Consumer electronics • By Alice Rawsthorn

Computer suppliers move into traditional electronics terrain

The consumer electronics industry is now pinning its hopes on digital video discs which are able to play films at far higher quality than video cassettes

Day after day this summer, dozens of people have squeezed into Sony's showroom in the Ginza area to try out the Glastron...

The excitement about Sony's new product harks back to the heady 1980s when consumers crowded into the showroom to check out the first generation of video cassette recorders...

Japan's economy may have recovered from recession, but the electronics industry, which led the country's export drive in the 1970s and 1980s...

The industry's difficulties started when the Japanese economy slid into recession in the early 1990s and demand faltered in the hitherto buoyant domestic market...

One issue was that cheaper products made by rival manufacturers in fast-expanding Asian economies - notably Taiwan, South Korea, Malaysia and the Philippines - were gaining ground in the Japanese market...

Competition from these new rivals has continued despite the Yen's recent weakness. One leading Japanese manufacturer estimated that 70 per cent of all audio products now sold in Japan come from other Asian countries...

Conversely, the strong Yen has locked the Japanese out of these dynamic markets, and has also made it difficult for them to compete in the established export sectors of North America and Northern Europe.

specifications and latterly copyright issues. Matsushita and Toshiba, which had hoped to bring the first DVD entertainment systems on to the market this autumn...

However, the overbearing threat facing the consumer electronics industry is the expansion of the computing sector.

Multimedia PCs First, the success of personal computers has already diverted consumer interest and expenditure away from conventional electronics...

Almost all the Japanese groups misjudged the potential of the computing sector. When PC sales were poised for dramatic growth in the late 1980s, the prevailing wisdom in electronics was that investment in entertainment software was the key to success.

Matsushita and Sony both made expensive Hollywood acquisitions at the time. The former ended its rocky relationship with MCA last year by selling control to Seagram...

Sony has clung on to the Columbia-TriStar film studio, but has incurred heavy losses.

Computer buffs throng Tokyo's Akihabara shopping district. Enthusiasm for multimedia personal computers is now diverting interest away from more traditional consumer electronics

with overall white collar employment falling by 20 per cent and headquarters staff declining by 28 per cent...

The companies have also started to focus on their balance sheets in order to cut back under-performing assets. The industry's return on assets has been less than 1 per cent over the last 15 years...

Of the country's leading five steelmakers, cost-reduction programmes at NKK and Kobe Steel have been the most aggressive. NKK reduced its debt by Y163bn in 1995...

In terms of asset reduction, the company freed up 1.6m square meters of land valued at Y200bn...

In spite of its damages from last year's earthquake, Kobe Steel is expecting to return to the black this year thanks to job cuts and debt reduction.

The company lost production ability of its smaller factory in Kobe and up to 60 per cent at its Kakogawa Works.

The company is focusing on improving production procedures in order to increase yields, personnel reduction and cutting operating costs.

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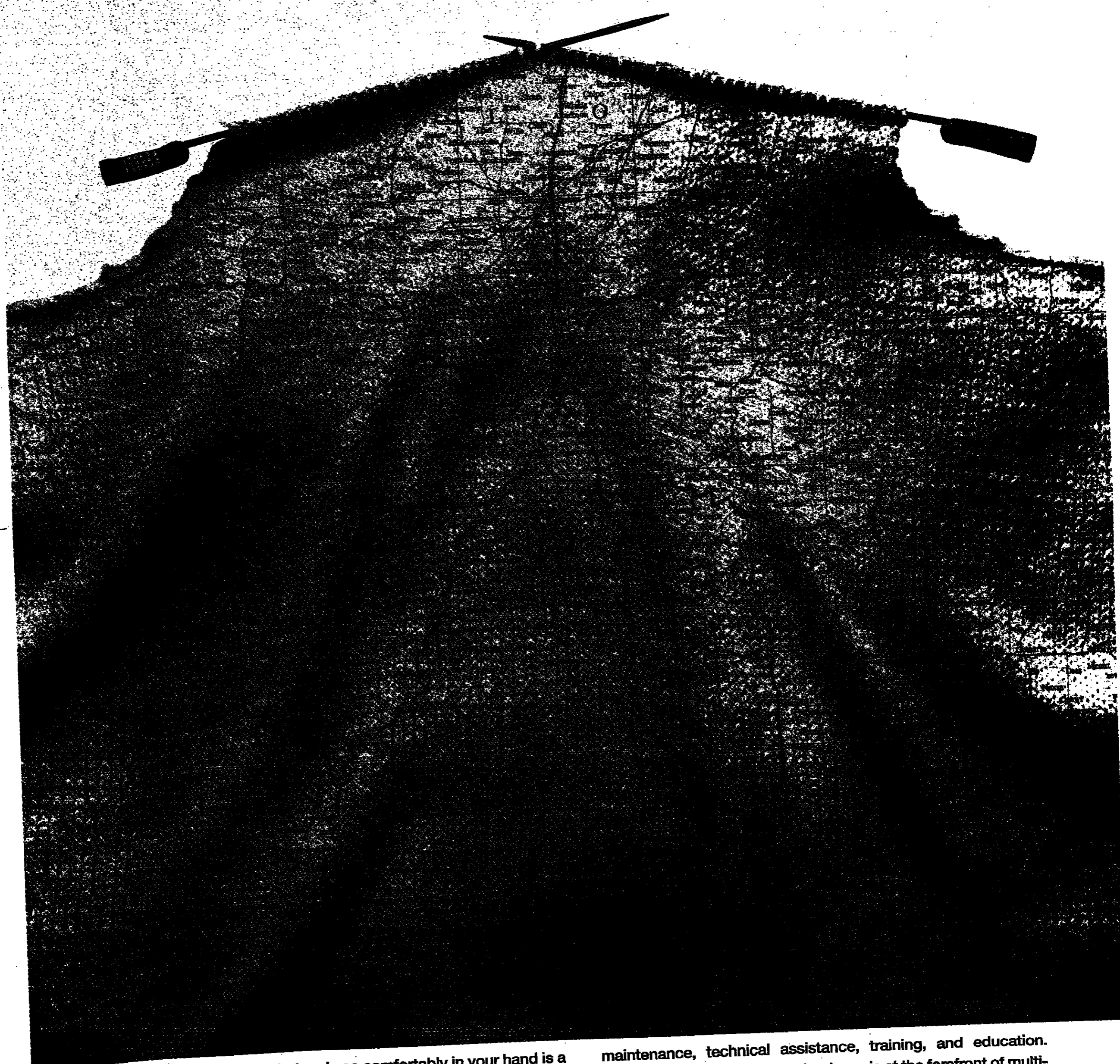


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Personality profiles: movers and shakers in Japan

# Hashimoto wins support on overseas initiatives

But his influence in domestic issues is limited, writes Emiko Terazono

## Ryutaro Hashimoto, Prime Minister

The darling of Japan's middle-aged housewives, Mr Ryutaro Hashimoto, is the first Liberal Democratic Party prime minister since his party lost its 39-year reign in 1993 and is known as a fearless international trade negotiator.

His ability to take international initiatives in issues such as the US and car exports has won him support from the public and the country's bureaucrats.

Recently he succeeded in obtaining an agreement by the US to give back an air base in Okinawa. Successful negotiations with the US boosted approval rates in the polls.

In domestic affairs, however, his influence seems to be more limited. Parliamentary politics is one of Mr Hashimoto's weaker points.

Mr Seiroku Kajiyama, the chief cabinet secretary has taken on that role of striking tactics with the opposition party. Mr Kajiyama's strong-arm tactics helped the ruling coalition bulldoze its way through the Jusen housing loan debacle. Even in his own

party, Mr Hashimoto's inability to forge close relationships with fellow party members is said to hamper his full leadership potential.

Mr Hashimoto's next political hurdle will come later this year when the government will try to obtain parliamentary approval to oblige 3,000 land owners in Okinawa to renew leases - due to expire next May - on land occupied by the US military.

Mr Hashimoto cannot afford to let these leases expire since Okinawa is the largest US base in Asia, as well as being strategically important to the US-Japan security alliance.

## Ichiro Ozawa, leader of opposition

Ever since Mr Ichiro Ozawa was elected the leader of Japan's main opposition party at the end of last year, he has frustrated allies and surprised opponents with his lack of political achievements.

Mr Ozawa, who became a self-proclaimed reformer after he left the Liberal Democratic Party in 1993, was long regarded as the shadow shogun - a backroom operator and revered 'king-maker' of the Reformist Party.

However, as head of the New Frontier Party, Mr Ozawa has been ineffectual and is said to have become increasingly isolated within his own party. Those who had hoped for a

showdown between Mr Ryutaro Hashimoto and Mr Ozawa - both originally from the same faction within the Liberal Democratic Party - have been disappointed.

Mr Ozawa failed to orchestrate a successful attack over the government's liquidation plan for the bankrupt Jusen housing loan companies, and the opposition party resorted to blockading the entrances of the parliamentary committee room to prevent voting.

In spite of Mr Ozawa's reputation as being a strong leader, the opposition party nevertheless seems to be in the danger of breaking up.

At a time when the New Frontier Party needs to be preparing for a general election which must be held by July, party members - critical of Mr Ozawa - are threatening to leave.

Mr Ozawa himself has announced the opposition party's possible support in parliamentary matters and seems to be trying to form an alliance with his old nest, the LDP.

## Naoto Kan, health and welfare minister

Mr Naoto Kan, health minister, showed the Japanese public that the country's intractable bureaucrats can, after all, be controlled. A member of the liberal New Party Sakigake, he managed to uncover informa-

tion on what lay behind the infection of 1,900 haemophiliacs in Japan with AIDS-contaminated blood in the 1980s.

Mr Kan, a 49-year-old former civil rights activist, has redefined the role of cabinet minister, proving that politicians can rule instead of reign.

Although previous health and welfare ministers also questioned the ministry's involvement into the distribution of AIDS-contaminated blood clotting agents in the 1980s, they were met with a wall of silence by ministry officials.

Mr Kan, however, ordered the ministry to set up a special investigation group to unravel the past discussions and decision-making.

The group mysteriously came up with notebooks which had been "lost" over the years. His manoeuvring indicated that bureaucrats will follow orders if a minister gave them a highly specific mission.

The revelations have led to an official apology by the government and pharmaceutical-makers, and a compensation agreement between the state, pharmaceutical companies, and the victims.

The resolution of the HIV debacle has made the enterprising health minister "the man most wanted as prime minister" - and he has now indicated an interest in teaming up with other young liberal politicians to form a new party ahead of the general election.

## Masayoshi Son, president of Softbank

Dubbed the "Bill Gates" of Japan, Mr Masayoshi Son, the 36-year-old head of Softbank, a software distribution and publishing company, has recently shaken Japan's media establishment with his venture with Mr Rupert Murdoch of News Corporation.

Mr Son has never been a conventional Japanese businessman. After leaving for the US during his high school years, he developed the world's first 'translation machine' as a student at University of California's Berkeley campus and bought a game centre with the \$1m he made from selling the rights for the system.

He shook Tokyo's financial community last year by raising funds on the corporate bond market without appointing a trustee bank, where a financial institution guarantees the bond and takes on the paperwork. The trustee bank system, only seen in Japan, has been widely criticised by corporate bond issuers and brokerages as pushing up the issuance cost of banks without having much practical use.

Mr Son may not need the help of the trustee banks, but he certainly listens to the advice of a network of former officials at Nomura Securities and the ministry of finance.

His venture into television with Mr Murdoch is another step into the multimedia arena and follows his purchase of Ziff-Davis, the US publishing company, and his link-up with Yahoo of the US in an Internet joint venture.

of consumer electronics users whom he dubs the "digital dream kids," and has pledged support for young talent and more research and development in software, networks and information technologies.

Speaking fluent English and French - and speaking his mind - Mr Idei is known for his "un-Japanese" character. While some critics identified him as the protégé of Mr Norio Ohga, his predecessor, he has shown that he was ready to push ahead with his own ideas, dispensing with the services of Mr Michael Schulhof, then head of US operations who was said to be close to Mr Ohga.

Mr Idei faces the challenge of changing more than the conventional product lines at Sony. The company, which was regarded as a young maverick company until the 1980s, has become a sprawling bureaucratic organisation, the sort of company from which its founders sought to differ.

## Hiroshi Okuda, president of Toyota Motor

Mr Hiroshi Okuda, who was appointed as president of Japan's largest car maker last August, is the first outsider of the founding Toyota family to take the helm in 28 years.

Mr Okuda took over from Mr Taisuro Toyoda, who was hospitalised for hypertension. Although members of the founding family are expected to eventually return to head the company, the injection of new blood at the top has proved a large success at Toyota.

While Mr Okuda's appointment has not led to a significant change in strategy or corporate style, his background in sales has helped boost morale of Toyota's distributors, whose loyalty to the company is said to have been waning under Mr Taisuro Toyoda, an engineer.

Mr Okuda has taken on a broad range of responsibilities since he joined the company after graduating university, from the supervision of Asian and North American operations to the management of financial matters. He speaks fluent English and enjoys playing mah-jong. He is also known for his candour and humour.

## Nobuyuki Idei, president of Sony

For some Sony watchers, the appointment last year of Mr Nobuyuki Idei, as one of Japan's most important companies, came almost out of the blue. However, as president and chief operating officer of Sony, Mr Idei, has managed to lift spirits at the consumer electronics company, which has started to regain its sparkle. He is trying to turn Sony into a company which can identify with a new generation



Mr Hashimoto: reputation for being 'fearless trade negotiator'



Masayoshi Son of Softbank: far from conventional



Ichiro Ozawa, opposition leader: self-proclaimed reformer



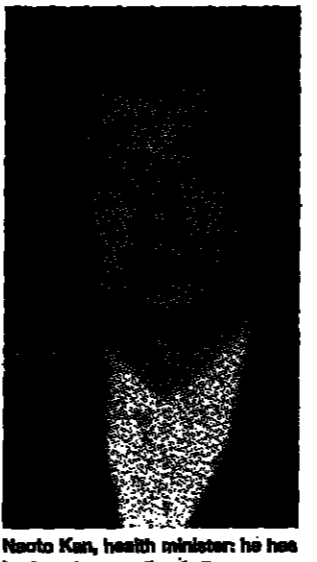
Hiroshi Okuda of Toyota Motor: candid and humorous



Nobuyuki Idei of Sony: pledges support for young talent



Restoration work was begun immediately on crumpled highways



Naoto Kan, health minister: he has broken down walls of silence

## Disaster city rebuilds

Continued from page 6

units. Another 50,000-plus homes will be built by private sector developers and housing corporations.

Progress is slower in the commercial property sector where, despite the recent pick-up in the Japanese economy, developers are still nervous about investing in new office blocks and factories. Mr Katsuko Shikata, head of planning in the reconstruction division of Hyogo Prefecture, said that construction work was either already scheduled, or under consideration, for just 23 of the 60 commercial buildings destroyed in Sannomiya.

"Many of the larger local companies moved to Osaka after the earthquake and don't plan to come back," he added. "And developers are worried about finding enough tenants to fill the new buildings."

Nonetheless, the Hyogo Prefectural Government is pressing ahead with its plans to use the reconstruction programme as a way of modernising the economy. In the container terminal, for instance, one reason why Kobe had lost business to other Asian ports was because its berths were too small to accommodate huge new vessels. The largest of the old berths were 14m deep, eight new ones are now being built with a depth of 15m, and the smallest of the old berths will not be replaced.

Similarly, the authorities are trying to reshape Hyogo's industrial base by drawing more companies in fast-expanding areas, such as multimedia and advanced electronics. Mr Shikata admits that there is no evidence to suggest that such companies are moving into the region. However, the Ministry of Post and Telecommunications plans to set up a Kobe International Multimedia and Entertainment City, which will include research and education institutes, to provide a hub for them.

The Hyogo Prefectural Government has mooted other proposals for a new conference centre, an import shopping complex and an enterprise zone on a reclaimed island in Kobe's harbour, but the region's finances are already severely strained.

## Accident-prone plan

The stock market's recovery has prompted the finance ministry to dust down its ideas

It is scarcely surprising that the Tokyo financial community's reaction to the news that the Japanese government is recommencing its off-delayed privatisation programme has been far from enthusiastic.

So far, Japan's attempts at privatisation have been, at best, accident-prone. The first of this year's issues is the sale of the shares in Japan Tobacco (JT) which were left unsold after that company's initial public offering two years ago. The next candidate for sale, the JR West railway company, should have gone public last year, but was forced to abandon its plans after the Kobe earthquake.

Other proposed state issues have also gone on ice because of the sluggish state of Japan's stock markets. However, the market's recovery since last summer's four-year low - coupled with the need to reduce central government debt - has prompted the finance ministry to dust down its privatisation plans. Will its efforts be more successful this time?

"The reason why the government is so keen on privatisation again is concern about budgetary conditions," says Mr Kunji Okue, economist at Dresdner Kleinwort Benson in Tokyo. "The economy has recovered, but only gradually. The equity market has improved, but it is questionable whether it can swallow so many new issues."

The first test of the market's capacity will come to a head at the end of this month when the new tranche of JT shares start trading.

Japan Tobacco is the country's only tobacco company and for years was a state-owned monopoly which manufactured its own brands of cigarettes, including Mild Seven and Seven Stars, and controlled the distribution of foreign tobacco products in Japan.

Its monopoly was abolished in 1985 and the company has since tried to expand into other countries and other product sectors, while the government has implemented plans to sell a third of its shares on the stock market.

All of those shares were put up for sale in 1994, but only two-thirds were sold. This spring the ministry of finance unveiled proposals to sell the remaining 372,900 shares.

Significantly, the ministry departed from its past policy of fixing the share price after auctioning the stock among domestic institutions, in favour of a book-building exercise, whereby its advisers recommended a price after consulting prospective investors. Past auctions had been followed by falls in the share price. The ministry also set a precedent by appointing a foreign adviser, Goldman Sachs International, the UK arm of the US investment group, as well as Nomura Securities, one of Japan's most powerful banking groups.

The share price that the government and its advisers finally decided upon was ¥215,000, a slight discount to JT's market price, which should ensure that the issue yields a total of ¥222bn. The final details of the sale were announced in mid-June and the new JT shares will start trading at the end of July.

The next privatisation prospect is JR West, one of the six passenger railway companies created in 1987 when the state split up the old Japanese National Railways (JNR) network. JR West, which had operating revenues of ¥874.2bn last year, is the second largest of the six companies and covers a region of western Japan including the busy lines between Tokyo, Osaka and Kobe.

The government has long been anxious to privatise all six passenger railway companies, not least because it is eager to pay off the ¥27,600bn debts left by JNR's abolition which were transferred in 1987 to a specially created company, the JNR Settlement Corporation.

Initially the corporation had hoped to pay off part of those debts by selling the land it took over from JNR, but that plan has been impeded by the steep decline in Japanese property prices.

One railway company, JR East, was privatised in 1993 and, even though its issue triggered a dramatic fall in the Tokyo stock market, JR West was due to follow suit in March 1995.

However, the damage and disruption caused by the Kobe earthquake meant that JR West could not meet the financial criteria required to go public and was forced to postpone its flotation plans.

Trading conditions have since improved and JR West filed a formal application to be quoted on the Tokyo and Osaka stock markets in June. It is now preparing for an auction to set its share price in early August and for its shares to start trading in early October.

The proposed auction raises awkward memories of the last successful aspects of past attempts at Japanese privatisation. However, the authorities have struck a cautious note by stressing that it has not yet decided how many of the JNR Settlement Corporation's 2m shares in JR West will be put up for sale. The final number will be determined by the likely level of demand, and some Japanese analysts suspect it could be as few as 500,000.

If the JR West's second stab at privatisation proves successful, other railway companies are expected to follow it on to the stock market.

However, the government's newfound enthusiasm for privatisation also extends to other sectors.

NTT, Japan's domestic telecommunications company, is an obvious contender as a third of its shares are already listed and legislation is already in place for the state to sell another third.

The spotlight may then fall on newcomers to the privatisation arena, possibly on the Japanese post office, which is the world's largest savings institution and a highly controversial stock market candidate.

Japan's banks have lobbied hard for the post office to go public hoping that this would remove the government support and subsidies that enable it to offer high interest rates to savers. But the post office's own employees are firmly set against it, which may raise yet another set of problems for Japan's accident-prone privatisation programme.

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## Stereotypes being dispelled

Japanese women seek an increasing range of opportunities which did not exist a few decades ago

When Atsuko Toyama joined the Ministry of Education in 1962, she was one of just three women accepted by the ministry as career bureaucrats.

Japanese women have come a long way in the past 30 years. In 1983, Ms Takako Doi became the first female speaker of the Lower House and today there are 40 women in the education ministry who are on the career track.

Women are active in just about every walk of life and have made a distinct mark in many fields from domestic politics to international diplomacy and private business.

Perhaps the most internationally-renowned and respected Japanese woman today is Sadako Ogata, UN High Commissioner for Refugees.

Ogata has been described by Nicholas Burns, US State Department spokesperson, as one of the most capable public officials in the world and a strong candidate to become the next UN secretary general.

But what strikes most people when they meet Ogata is her smallness, her open nature and her charm.

Born in 1927 in Tokyo, Ogata, whose father and grandfather were both diplomats, spent a good part of her childhood years abroad, in the US and China.

After graduating from the University of the Sacred Heart in Tokyo, she studied international relations at Georgetown University and received a master's degree in political science from the University of California at Berkeley.

Although she has a high profile role as top UN official responsible for refugees that had previously been the reserve of the white male establishment, Ogata professes never to have

sought the job. Yet it is clear from her courage in risking danger to go into the field, her willingness to expose herself to criticism by adopting unprecedented measures and the sheer energy she brings to the job that Ogata is totally dedicated to her mission of helping the tens of millions of refugees throughout the world who depend on the UNHCR.

Her reputation is formidable, as a strong leader, a thinker and a humanist who has restored morale at the UNHCR and made it one of the most open agencies of the UN. At the same time, although Ogata has had to leave her family behind in Japan, her friends know her as a dedicated mother and wife.

Toyama at the Ministry of Education is another diplomat who has succeeded in achieving the difficult task of the balancing the requirements of career and family. Although she is more than ten years younger than Ogata, the soft-spoken Toyama who has a gentle but firm manner, remembers her parents' dictum that she should raise a family as well as pursue a career to contribute to the good of society.

She has succeeded in achieving both objectives her parents set her. Having risen through the ministry's ranks to become commissioner of the Cultural Affairs Agency, Toyama has been named Japanese ambassador to Turkey, a post she will take up next month. She is the sixth female ambassador in Japanese history.

It is perhaps fair to say that Japanese women have to work harder than most men not only in order to win recognition in male-dominated organisations but also to dispel stereotypes about what is expected of a woman or how she is likely to behave.

Toyama notes that her appointment as a career bureaucrat also forced her male colleagues in the ministry to deal with a new and unfamiliar situation. "I came up against many difficulties that men would

not have experienced," she recalls. But she did not allow the expectations those around her might have had of her as a woman to get in the way of her work. "I changed my way of thinking. Rather than merely worry about what people thought of me, or how they viewed me, I decided to concentrate on what I could do for the job - and for others," she says.

But public office, and the academic world where Ogata spent her early working years as a professor at Japan's International Christian University, have generally been more open to women than the business world, where few Japanese women have won recognition.

Women in Japan have been able to pursue successful careers in business mainly as entrepreneurs or in professions such as fashion design where individual creativity is the key determinant of success.

Rei Kawakubo, who has built Comme des Garçons into a \$100m fashion business, became the first Japanese to win the prestigious title of best designer from the French Journal de Textile in 1987.

Noted for a rigorous attention to detail and her love affair with black, Kawakubo, 54, has won plaudits from many corners as one of the most innovative forces in the fashion industry. She pioneered such design elements as asymmetric silhouettes and double collars.

Unlike many fashion designers among even the most successful names in Paris, who keep an eye out for the colour or cut of the season, Kawakubo is not one to concern herself with the latest trends. Instead, she sees fashion as a medium for innovation and self expression.

"That, I believe is why Kawakubo is so widely respected," says an editor of a popular fashion magazine in Tokyo.

Born in Tokyo just before the end of the war, Kawakubo, whose father was an academic at one of Japan's most

prestigious private universities, studied fine art before going into advertising.

She opened Comme des Garçons in 1973, nearly a decade after the Olympics came to Tokyo and at a time when Japanese consumers were enjoying the fruits of their country's growing economic success.

More than two decades later, Kawakubo does not fail to surprise and delight her audience with innovative creations. Her recent departure from black to colour - she has not used Comme des Garçons' trademark black in her past few collections - shows Kawakubo breaking away from a trend she herself created, in further pursuit of innovation.

The achievements of women such as Ogata, Toyama and Kawakubo, have inspired younger Japanese women to seek an increasing range of opportunities which did not exist just decades ago.

Toyama, who acknowledges there is a pressing need to open up more opportunities for women and make it easier for them to balance the demands of a career with those of a family, is nevertheless hopeful about the future for women in Japan.

"In today's Japan, young women are much more energetic and unique than men. Society is changing, men are changing, too," she believes.

Certainly, the traditional view that an intelligent, ambitious woman does not make a good wife, may be less popular these days, particularly after the marriage of Princess Masako, a Harvard graduate and ex-foreign ministry bureaucrat, to the Crown Prince.

But from the point of view of many young hopeful Japanese women, change is clearly not coming fast enough. Each year, more than 500 women sign up with Pasona, an employment consultancy, in search of work in Hong Kong, where greater job mobility and a more results-oriented employment system is believed by many to offer better chances for female advancement.

Football • By Emiko Terazono

## Row over World Cup plans

Japan and South Korea will co-host the next world tournament finals in 2002

Many Japanese politicians have been relieved by the recent decision by FIFA, the international football association, to appoint both Japan and South Korea as co-hosts for the 2002 World Cup football finals.

Itters among Japan's political community had preceded last month's FIFA decision over who will host the 2002 games. The rivalry between Japan and South Korea had been intensifying, with the Korean government expressing full support for its nation's cause. World Cup fever took over Korea just before the decision was made, and Japanese politicians had expressed concern about a potentially huge outcry in Korea if Japan was appointed to host the tournament.

The co-hosting decision has hence been welcomed by politicians as an opportunity for healing old wounds which stem from Japan's colonial rule of the Korean peninsula between 1910 and 1945 and a chance for both countries to work together in hosting one

of the largest international sporting events.

The decision provided a recent excuse for heads of both countries to hold a meeting to start preparations for the tournament. Although Mr Kim Young Sam, the Korean president, and Mr Ryutaro Hashimoto, Japan's prime minister, seem to have hardly discussed football, the recent meeting gave both sides a forum for rebuilding diplomatic relations which had soured over the sovereignty of an islet and a way of helping to resolve long-held anger over the way Japan once forced Korean women into sexual slavery as "comfort women" for the Japanese army during World War Two.

Now, in sharp contrast to Japanese politicians, the country's football officials have taken FIFA's co-hosting decision as total defeat. Their disappointment was apparent during the press announcement in Zurich of the association's decision where Mr Ken Nagamura - head of Japan's bidding committee - looked as if he was going to burst into tears.

Prior to the decision, Korean government officials had privately suggested to Japanese counterparts a possible co-hosting Japan's nationalistic press had called co-hosting the "devil's whisper", regarding the

scheme as a ploy by South Korean football delegates who might be seeking a "safety net" in the event that the Japanese won.

Furthermore, attendances at stadiums around the country have been sliding to record lows. The new league had appealed to the young generation which had been looking for alternatives to professional baseball, a sport they regarded as slow and lacking in colourful stars. The J-League, it was believed, would provide fans with big sporting personalities and exciting matches. But the early appeal has worn-off, partly due to the failure of the Japanese national team to make the 1994 World Cup Games in the US. The Japanese team suffered a crushing goal in the last few seconds of the qualifying games against Iraq, thus losing its place in the World Cup tournament.

And while the Japanese team has just managed to qualify for this year's Olympics, a victory against other teams is not widely expected. A humiliating spate of defeats could also cast a long shadow over Japan's football business.

When the league was launched, tickets to football games were hard to come by, with those for the stronger teams almost impossible to buy. Now, supporters are filling only about half of the stadiums with the weaker teams

supported Japan its bid. The media's wrath aside, a partial hosting is better than nothing for Japan. The popularity of country's J-League, the professional football league which became a national obsession when it was launched in 1993, is now running out of steam. Attendance at its games are falling as are sales of J-League retail products. Its TV ratings have also fallen.

Politicians and football officials clash over FIFA's decision on co-hosting World Cup

## Inquiry into latest financial upsets

Continued from previous page

made things worse by allowing him to pile up losses. Whether or not Mr Hamanaka really was acting alone, the first evidence of the official inquiry by six regulators in the three countries involved, Japan, the UK and the US, suggests that the group was especially vulnerable.

Looking beyond Sumitomo, common threads are discernible in the recent run of financial blunders. Misplaced trust in the rise in asset prices, a hangover from the boom years of the 1990s, is one such thread, suggests Mr Akio Mikuni, president of Mikuni Credit Rating, the only independent Japanese credit rating company.

Another common element may be that Japanese companies expect less of a hammering from their main shareholders when they make a blunder. Those shareholders are often their own banks, suppliers, or even members of the same keiretsu corporate family. Business relations, as much as earnings per share, are these shareholders' priority - and they are unwilling to let blunders collapse or be taken over. This is especially true of Sumitomo, whose largest shareholders are six keiretsu cousins, holding 24 per cent of the equity.

Japanese trading companies pose a specific risk management headache. They are uniquely diversified, both by geography and sector, and have become more so over the past decade as they seek to bol-

ster their notoriously low profits by expanding beyond their original export import businesses into a bewildering range of ventures from satellite television to power generation.

Sumitomo, whose corporate motto is "global mind, global reach", was the world's fourth biggest company by sales in 1994, and yet merely 40th in profits. To try to redress that imbalance, it has built up interests in mobile telephones, industrial parks, textiles, food, chemicals, oil, steel and drug retailing among others.

The finance ministry has the widest regulatory remit of any government body, yet its officials are relieved to find this is the one financial upset for which they have no formal responsibility. That leaves the

Bank of Japan, which has opened its own inquiry, but only into the risk, which it believes to be insignificant, that financial institutions doing business with Sumitomo might be harmed by the loss.

All this suggests that more unexploded financial bombs could be lying, undetected, in other Japanese companies. Fragmented financial regulation, naive faith in individuals and asset prices and weak shareholder pressure all suggest that it could happen again.

Quite a few Japanese company presidents may be nervously scanning internal audits over the next few months, wondering what grim surprises are concealed in their dealing rooms and treasury departments.



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10 JAPAN

Contemporary art • By Alice Rawsthorn

# Avant garde tradition

New venue features the work of influential Japanese artists, such as Jiro Yoshihara and Yoshishige Saito

Any art buff visiting Tokyo has hitherto had to race around the private art galleries to piece together a picture of the Japanese modern art scene, now they can head straight for the new Museum of Contemporary Art.

The museum, which opened last summer in a glacial building designed by the architects, Takahiko Yanagisawa and Kisaburo Kawakami, lies on barren strip of land beside the waterfront at Kiba Park in eastern Tokyo. It combines examples of post-war Japanese painting and sculpture with works by western artists in a permanent collection and temporary exhibitions.

### Opportunity

Arguably the museum's chief attraction, particularly to a foreign visitor, is the opportunity to see the work of influential Japanese artists, such as Jiro Yoshihara and Yoshishige Saito, who rarely exhibit in the West.

Japan has always been a strong *avant garde* tradition, particularly Tokyo, where the pre-war art scene had the decadent flavour of 1920s Berlin and 1930s Paris, but until recently contemporary art was not taken seriously outside that small bohemian circle.

This is partly because Japanese art historians have tended to concentrate on the art executed before the Meiji era in the late 19th century, when the country embraced Western industrial values, and have made little attempt to interpret contemporary developments.

As a result, Japan's modern artists have made little impact in the west, despite the fact that architects such as Tadao Ando and Arata Isozaki are lauded for their ability to infuse modernist forms with a Japanese spirit, as are designers from Shiro Kuramata, to Rei Kawakubo of Comme des Garçons. Probably the best-known Japanese artist internationally is Yoko Ono, who was part of the 1960s Tokyo *avant garde*, but that is largely because she married the pop star, John Lennon.

One of the first attempts to stimulate more serious consideration of post-war art was a series of exhibitions on the Japanese *avant garde* of the 1950s, 1960s and 1970s staged at

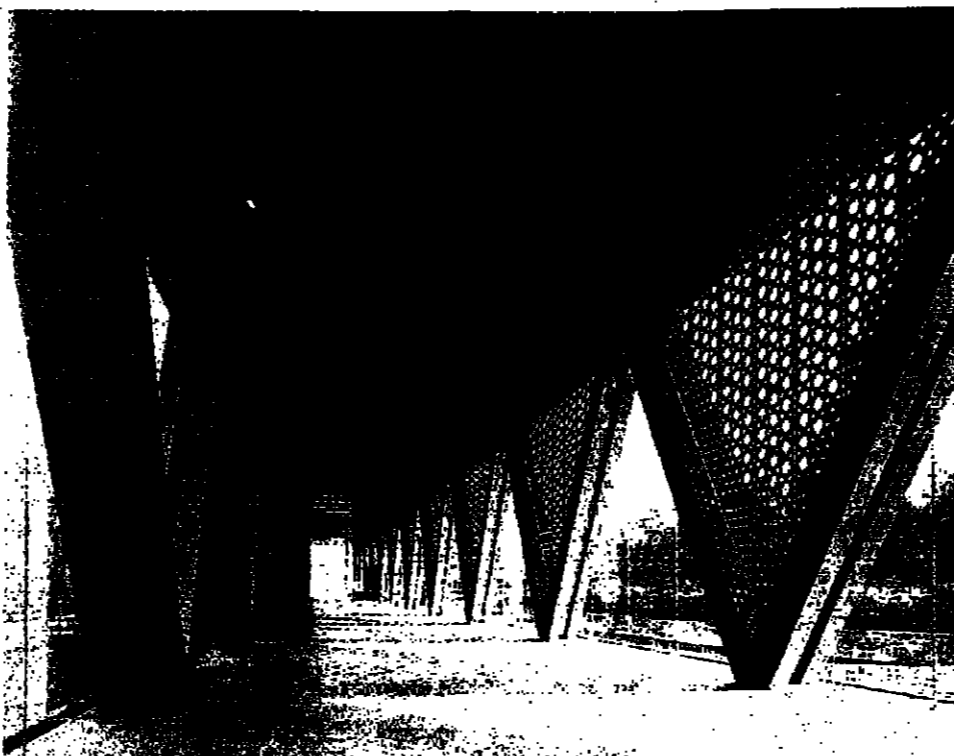
the Tokyo Metropolitan Art Museum in Ueno Park during the 1980s. However, that venue was too small to show more ambitious presentations and the new museum has taken over the 3,000 works in its permanent collection and acquired 500 other pieces of its own.

### Assets

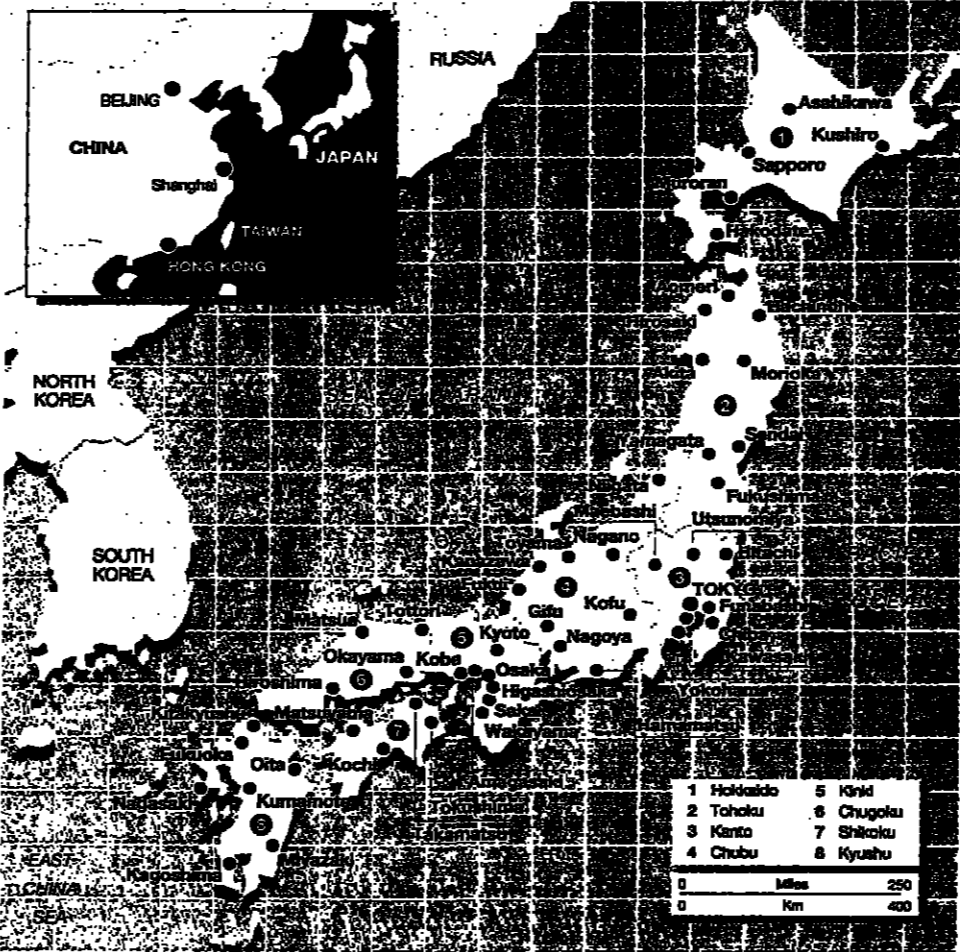
It now shows 150 pieces from that permanent collection alongside temporary exhibitions, which this year include shows devoted to the work of the painter, David Hockney, and photographer, Cindy Sherman, as well as modern architecture and urban theory.

Another asset of the new museum is the selection of contemporary Western art taken from the permanent collection. Many of these works were recently acquired and the Yen's strength has enabled the curators to add beautiful pieces from contemporary figures such as Gerhard Richter and Anselm Kiefer, to those of the modern masters, Mark Rothko and Ellsworth Kelly.

The Museum of Contemporary Art is open Tuesday to Sunday at 4-1-1 Miyoshi, Koto-ku, Tokyo. Tel: (813) 5245 4111.



National showcase part of the exterior of the Museum of Contemporary Art at Kiba Park in eastern Tokyo. Apart from the work of Japanese artists, the museum also features a selection of western contemporary art



## KEY FACTS ON JAPAN

Area	377,800 sq km
Population	128 million
Head of state	Emperor Akihito
Currency	Yen (¥)
Average exchange rate	1995 \$1=¥ 94.82
	1995 \$1=¥ 108.90

## THE ECONOMY

	1995	1996
Total GDP (\$bn)	5,114	4,707
Real GDP growth (%)	0.9	1.7
GDP per capita (\$)	40,715	37,387
Annual change in:		
Consumer prices (%)	-0.1	0.2
Industrial production (%)	3.2	3.0
Household disposable inc. (%)	2.4	2.0
Unemployment (%)	3.2	3.3
Reserves minus gold (\$bn)	183.3	n/a
Money stock (m¥ % change)	3.3	4.5
Stock market index* (%)	0.74	0.49
Current acct. balance (% GDP)	2.2	1.8
Current account balance (\$bn)	110.4	95.4
Exports (\$bn)	427.3	426.1
Imports (\$bn)	292.5	332.4
Trade balance (\$bn)	134.8	106.7

Main trading partners (1995, %)		
	Exports	Imports
United States	27.3	22.4
South Korea	7.1	5.2
Taiwan	6.5	4.3
Hong Kong	6.3	n/a
Singapore	5.2	n/a
China	5.0	10.7

(1) Year to date, (2) Forecast unless otherwise indicated, (3) M2 = C.D. % (4) Growth over period in retail 225, (5) Share of world trade; see also economic data charts on page two of this survey. Sources: FT data, Economist Intelligence Unit

## Dilemma over World Cup

Continued from previous page

suffering severely. Although the J-League refuses claims that the league is going steadily downhill, it describes the initial hype over the football league as "over-done" - with the result that current popularity is inevitably coming down to more normal levels. Nevertheless, today's numbers clearly indicate faltering popularity. Sales of paraphernalia, once worth ¥30bn in 1993, are falling by a third.

Working groups in Japan, Korea and FIFA are now trying to solve technical difficulties which will arise from co-hosting. Choosing the venues for the games will be one decision which is likely to cause anxiety among the 15 Japanese and 16 Korean municipal candi-

dates. Japan's football officials will have a hard time selecting among the 15, since municipal governments have invested taxpayers' money in building stadiums and have also contributed to the bidding campaign.

### Concern

Other problems include deciding where to hold the final match, the expected disparities between admission and other fees between Japan and Korea, and what to do with visas for the fans.

Mr Shoko Kajiwara, general manager of Japan's World Cup bidding committee, recently expressed concern over how some Koreans would react at seeing information signs in Japanese - which are banned

in Korea.

A trickier question is whether the Emperor of Japan will participate in the event if the opening ceremony is held in South Korea. In the past, official visits by the Japanese emperor and empress have been contemplated but subsequently cancelled by the Imperial Household Agency, due to fears of angry outcries among the Koreans.

In spite of the various World Cup difficulties, one consolation may be that the co-hosts of the tournament will automatically receive the right to play in the 2002 tournament.

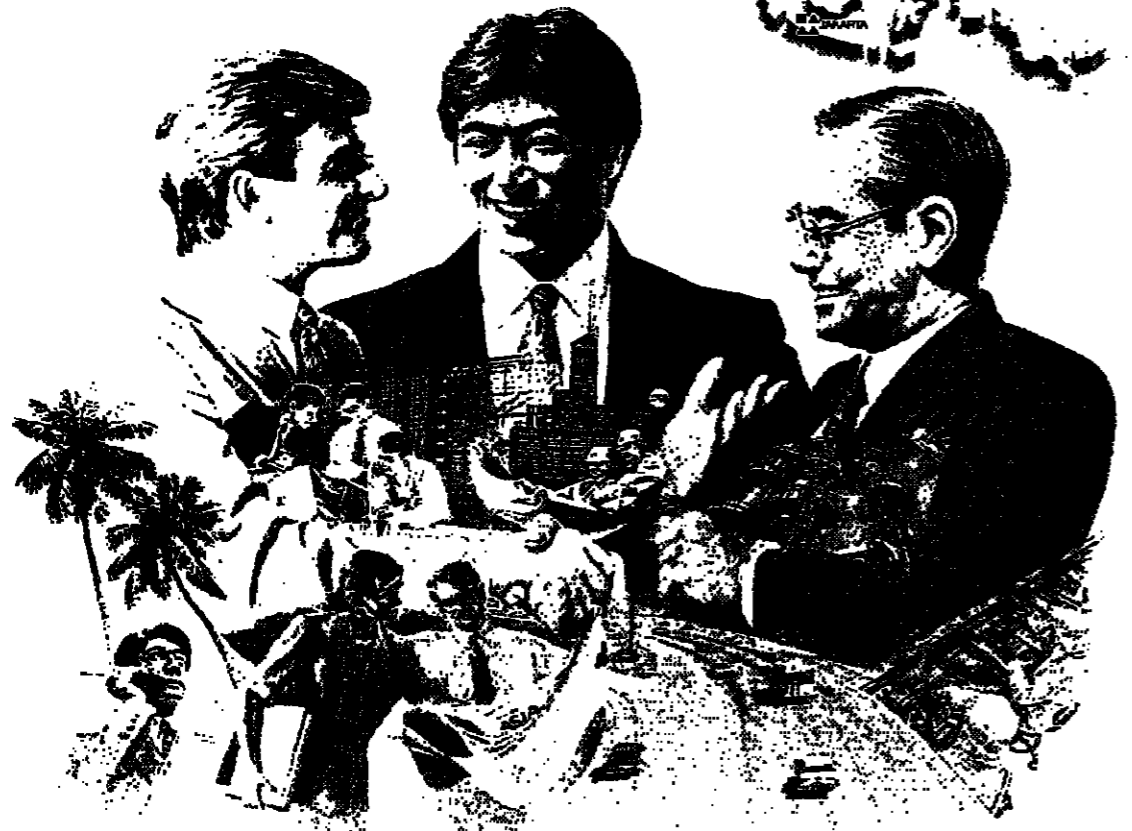
This fact will exempt both countries from having to play in the qualifying matches - and may be the only way that Japan gets to play in the World Cup finals.



Highways weave their way between Tokyo's tower blocks. Olyn Oren

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JOBS: Employers are paying more attention to domestic lives

Happiness starts at home

Some 27 years ago when Fernando Bartolomé, professor of management at the Instituto de Empresa business school in Madrid, began studying the way that executives balanced their professional and private lives, the prevailing attitude among companies and employees was that the two were not - or should not be - related. What an executive did outside his work - and it almost always was "his" - was his business and nothing to do with his employer.

Today that view is changing as the dividing line between private life and working life becomes blurred. Computer technology, for example, enables work that could once have been completed only in an office to be done at home.

While the executive is still usually male, a big difference is that his wife or partner may be pursuing a separate career. The emergence of women in virtually every area of work is continuing to have an impact on employment policies. Multi-national companies have been made sharply aware that the domestic arrangements of an employee, male or female, can be vital to the success of a career move such as a foreign assignment.

Bartolomé does not believe that family-friendly employment practices have emerged as some sort of philanthropic gesture by employers. He thinks they have much more to do with the bottom line. The potential loss of several thousand pounds because of the failure of an individual to settle into a foreign assignment is a powerful incentive for management to take an interest in the personal lives of staff.

The recognition of such costs, said Bartolomé, speaking at a Royal Society of Arts seminar in London last week, has led to widespread adoption of the once rare "lock-step" visit for a partner ahead of a foreign posting.

When Bartolomé began his research there were fewer conflicts involving working partners, but their attitudes towards domestic responsibilities appear to have changed surprisingly little as he has updated his work over the years.

If the "new man" does exist he has not emerged in Bartolomé's studies. Men think that women should devote a bigger proportion of parental time to the children. The average male in Bartolomé's surveys thought he should be looking

after a third of the childcare responsibilities for the under-fives. The proportion of time that men said they would make available for fatherly responsibility increased as the children got older.

"Executives are much more interested in children when they can play tennis with them, than when their children are little shit-making machines," he said. "At that age it is very tempting to delegate the job to the other partner in your relationship."

In spite of women's increasing involvement in paid work, he found that they gave very similar estimates when they were asked the same questions. "It means that, if these beliefs are very culturally rooted in individuals, they are going to change very, very slowly," he said.

It was not reasonable, he said, for men to argue that they spend too much time at work. When he examined how much time executives were spending at their jobs it

worked out at little over half their waking hours. He concluded that executives were unable to use the alibi of work to justify their lack of investment in their private lives. The reason that men devote little time to their families, he suggested, had much more to do with selfishness and unwillingness to spend time with their children.

Bartolomé's research included studies into the events that cause work-related worries to spill over into private life. He found three main causes. The first was moving employees to new locations. He found, from talking to multinational executives, that it takes up to two years for them to feel comfortable coping with the demands of a new foreign job. This, he said, was sometimes the point at which their employers chose to move them on.

Another reason for work problems spilling over was "lack of fit" in a job with new responsibilities; it takes time

before you feel that you can do the job, enjoy it and take pride in it. This usually occurs in the first year after someone in a technical job is promoted to a managerial position.

The final cause was career disappointment among those who realise that they have gone as high as they are going to get in their professional lives. Some of these people compensate by expanding their out-of-work interests, many of which begin to resemble alternative jobs.

These may be the people who are beginning to do what Bartolomé urged all individuals to do - take more responsibility for managing their own careers. His broader studies suggest that managing lives and families is equally important. Perhaps we are entering the age of the holistic approach to life and work.

● The continuing job-cutting programmes among many employers, headlined in countless newspaper reports, present something of a paradox in the

current economy because recruitment activity among the ranks of senior executives continues to suggest sustained business growth.

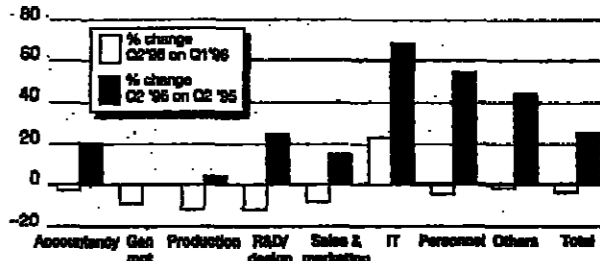
According to the latest quarterly index of advertised demand for executives compiled by MSL, the recruitment and human resource group, recruitment demand in the senior executive market has risen by 26 per cent on the same period in 1995.

The moving annual total, published here, has climbed consistently since its last downward movement in 1992, suggesting sustained growth and confidence among UK businesses. Gary Long, MSL Group chairman, says: "Business strategies are increasingly more concerned with growth and development than with survival and it is our expectation that the second half of 1996 will see a continuation in the upturn in recruitment advertising."

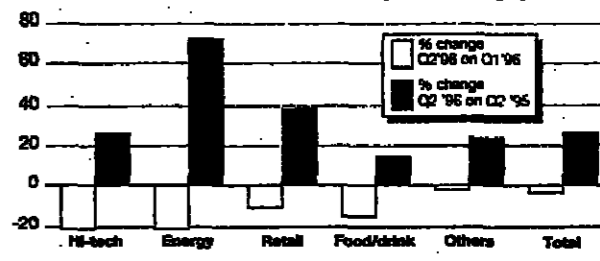
Richard Donkin

MSL recruitment index

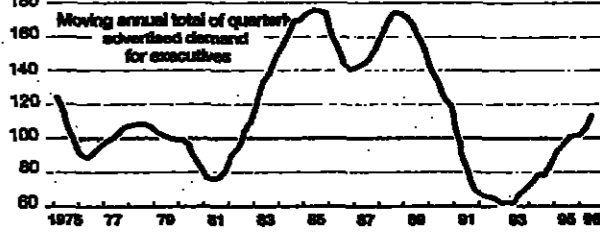
Change compared with previous quarter/year, by job category (%)



Change compared with previous quarter/year, by industry category (%)



MSL recruitment index (1959=100)



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- Proven relationship and business development skills with a strong entrepreneurial spirit. Knowledge and exposure to clearing and settlement operations as well as credit and collateral management. Excellent communicator and presenter, able to win respect and credibility at board level.
- Energetic and hands-on with a strong sense of urgency. Ambitious self-starter with an appetite for growth and change and a desire to contribute to the success of the business.


Please reply with full details to:  
Selector Europe, Ref. FT170774,  
16 Cannongate Place,  
London WC2B 2DD

**To £50,000 + benefits      Global Telecommunications      London**

## Investor Relations Analyst

*Exciting opportunity for an ambitious ACA/MA to play a pivotal role in managing the investor interface for a multinational group, a leader in the provision of cellular telephony worldwide. With interests in operations in 21 countries, the Group is expanding aggressively as it seeks market leadership in a fast-changing, high growth environment. New position at the centre of this entrepreneurial and demanding business.*

**THE ROLE**

- Work closely with senior executives throughout the Group to gain a thorough understanding of the business and its strategy, developing insights into the commercial, technological and political factors that drive the business.
- Collect, analyse and store financial information about the performance of Group companies and competitors, promoting a clear understanding of the underlying strengths of the business and its future plans.
- Co-ordinate the presentation of reports and announcements for the investor community and liaise with financial analysts through regular visits and events.

**THE QUALIFICATIONS**

- Highly numerate graduate, aged mid 20s to early 30s, with professional accounting qualifications or MBA background in financial analysis gained in a commercial bank, strategic consultancy, the accounting profession or in the investor relations department of a blue-chip multinational.
- Deep understanding of financial statements and annual reports and experience of dealing with the financial community. Computer literate with well-developed analytical skills and a disciplined, commercial approach.
- Excellent interpersonal and communications skills, with the confidence and maturity to build relationships at all levels both within the Group and outside. Energetic self-starter comfortable working with decision makers in a multi-cultural environment.


Please reply with full details to:  
Selector Europe, Ref. FT170774,  
16 Cannongate Place,  
London WC2B 2DD

## Major Gulf Bank

As part of an extensive programme of change, an opportunity has arisen for an experienced Banking Economist within a commercial bank of size and standing in the Gulf, with an important retail, corporate and treasury business and an international network.

### ECONOMIST

**The Role**

- Reporting to the General Manager and responsible for the provision of timely, accurate and comprehensive macro and micro economic studies, analyses, forecasts and financial models.
- Responsible for compilation of economic reports addressing sovereign, industrial sectional and demographic analyses and forecasts with a particular focus upon comparative analyses within the banking and financial services sector.
- Editorial responsibility for the Bank's Economic Review and related publications addressing issues of national or regional economic significance.
- Significant participation in the preparation of overall group budget and business plan.
- Accountable for the leadership and direction of the multi-disciplinary team comprising the Economics and Planning Department within the Bank.
- Providing a pivotal input to business, product and corporate development projects.

**The Qualifications**

- Advanced academic qualifications (Ph.D. or M.Sc.) with good practical knowledge and experience of applied quantitative methods.
- Proven professional expertise in a bank or financial institution of international standing.
- Exposure to the energy sectors would be advantageous.
- Mature man-management skills with an emphasis upon providing leadership and expertise in a multi-cultural environment.

This important position requires a high quality banking professional with the ability to influence at all levels working in a multi-cultural environment. Knowledge of Arabic and experience in the Gulf are deemed essential.

This position offers an attractive salary, generous expatriate benefits and performance bonus in a tax-free rapidly expanding Gulf environment.

Write in confidence enclosing a comprehensive curriculum vitae to:  
Box A5638, Financial Times, One Southwark Bridge, London SE1 9HL

### APPOINTMENTS WANTED

**DOCUMENTATION MANAGER (3)**  
BSC HONS. (LONDON), SFA regd rep.  
5 years' banking experience - Euro zone / Eurobond documentation, syndication, warrant sales. Management of accounting experience. Urgently seeking challenging, rewarding opportunity with progressive bank or securities house.  
Write to Box A5641, Financial Times, One Southwark Bridge, London SE1 9HL.

**DERIVATIVES EXPERT**  
Cambridge Maths graduate, 20, with 14 years experience of the City as Options Broker, Arbitrage Trader and European Marketing Manager of a leading US futures exchange under return to full-time employment, perhaps as management consultant, after three years as a part-time consultant, lecturer and author of a book on options (due for publication) London-based with broad overseas travel.  
Write to Box A5639, Financial Times, One Southwark Bridge, London SE1 9HL.

**Opportunity for Forward Looking Trading House**  
Experienced trader seeks contract/trading to develop a long-term foreign exchange trading model. In simulated geared trading, returned approximately 43.9% in six months to 3rd July 1996. Suitable for proprietary trading and customer fund management. Enquiries treated in strictest confidence.  
Apply to Box A5640, Financial Times, One Southwark Bridge, London SE1 9HL.

## CITIBANK

# Product Manager

## Funds Administration and Trustee Services

Citibank, a world class provider of securities services, seeks an ambitious Product Manager to join its Funds Administration team, based in London.

**The Role**

- Product development, primarily on the fund accounting side.
- Specialist sales support.
- Marketing and advertising strategy.
- Financial analysis and business planning.

**The Candidate**

- Qualified ACA with a minimum four years' post qualification experience and a background in funds administration.
- First class interpersonal and influencing skills.
- Creativity, energy and determination.

A highly competitive salary with banking benefits is offered together with excellent career prospects.

Interested candidates should write to BBM Selection, quoting reference 397, and enclose a full CV that includes contact telephone numbers. All applications will be treated in the strictest confidence.


76, Watling Street,  
London  
EC4M 9BJ
Tel: 0171-248 3653  
Fax: 0171-248 2814  
E-mail: 397@bbm.co.uk


## MANAGING DIRECTOR

*Outstanding opportunity to make a difference in the financial sector of the Ghanaian economy*

As a Ghanaian head of an established financial institution, you will ensure that the tactical and strategic plans of our client are achieved. Assisted by a team of dynamic and competent managers, the successful candidate will manage and take full responsibility for the day to day running of the organisation.

Aged preferably between 45 and 55 years, you will have a minimum of a first degree in Economics, Banking or Finance coupled with extensive experience in the financial sector. You must demonstrate a firm grasp of the workings of the Ghanaian financial markets, detailed knowledge of current economic trends and the ability to run a financial institution in such an extremely competitive environment. Your broad experience should include senior level management experience in a reputable financial organisation together with high level interaction with international institutions with whom you will be expected to liaise.

Write or fax in confidence enclosing your current CV including contact telephone numbers by the 16th of August, 1996 to Ms. M. Nanka-Bruce, KPMG Management Consulting, Second Floor, Mobil House, P.O. Box 242, Accra, Telephone: (233-21) 664881-4. Fax: (233-21) 667909.


Management Consulting

## BANKWATCH

### BANK ANALYST

RUSSIAN SPEAKER · CYPRUS-BASED

THOMSON BANKWATCH, the world's largest bank rating agency, is looking for a Russian-speaking Bank Analyst for THOMSON BANKWATCH-BREE, in Cyprus. The Cyprus office focuses on research of banks throughout Eastern Europe and Russia.

We are seeking an experienced Bank Analyst possessing a mastery of written and spoken English and Russian to join our outstanding team based in Cyprus. Comprehensive knowledge of banking and credit analysis is essential to build on our extensive work with banks in Russia.

This challenging position requires travel, regular contact with senior officers of Russian and CIS banks, preparation of high quality reports for publication, and the ability to meet tight deadlines. Candidates must be meticulous yet flexible and have at least five years' bank credit analysis experience.

Please send CV and covering letter by 26th July 1996 to:  
Lesley Singleton  
THOMSON BANKWATCH-BREE,  
PO Box 6951, 3311 Limassol, CYPRUS.  
Fax: +357-5-748974.

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This may be the answer. At Price Waterhouse, we are committed to developing the best accountants, business advisors and consultants in the Financial Services Industry. Increasingly, our clients want to benefit from the technical excellence and training expertise of our small team as well. But we are not in the training business; we are in the business of helping solve complex problems through the development of new skills, better understanding and more passion. We need to expand our team, and we are willing to make a long-term investment in individuals who can make a major contribution to our success.


We are looking for five professionals with creativity, imagination and flair, who are willing to share their practical experience and real expertise with others. These are new, hands-on opportunities with a European focus and further worldwide liaison; and the scope of your role will be entirely down to you and your creative approach. But beware - this is no easy option. It will be a true test of your stamina and your commitment.

You will be joining a successful team to further develop a growing area of activity for us. There will inevitably be the occasional frustrations and all sorts of difficulties to overcome. But there will always be help from the team as well as examples and models to follow. We can guarantee that the work will be interesting, challenging and fun.

We need your technical expertise which might be in banking, capital markets, insurance, investment management or financial services regulation. Naturally, you will have excellent presentation skills and should have at least five years' practical market experience. Whilst not a prerequisite, additional European languages would be useful. You will be someone who needs a constant challenge and has the sensitivity and determination to make change happen.

If you know you are ready for this role, you need to convince us that you have both the skills and personal qualities to succeed. We want more details about you, such as a CV, but we also want you to persuade us that you are the right person for one of these roles. Please write to:

Charles Macleod, Recruitment Manager,  
Price Waterhouse, No.1 London Bridge, London SE1 9QL.  
Fax: 0171 939 4707.  
E-mail: Charles\_Macleod@Europe.Notes.PW.Com


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### SENIOR MANAGER - CREDIT RISK INDIA BANKCARD DIVISION

Standard Chartered Bank has a significant and historic presence in India operating out of 24 offices in 10 cities. One of the key growth areas is the bank card (Visa, Mastercard) segment that operates in an industry experiencing growth of over 100% a year. The existing base of 1.5 million cards is expected to grow to 15 million cards in the next 4 years. Standard Chartered Bank is well positioned to be one of the main credit card issuers in the region.

#### Job Profile

The successful candidate will manage and control the full credit cycle including credit policy, credit operations, authorisation and fraud control as well as MIS generation, in a business that today has an 18% market share, a staff complement of 200, and a presence in 10 Indian metros. The business is ISO9002 certified. The primary challenge is to direct portfolio growth in a manner that identifies and maximises revenue opportunity, with the balance of risk, and process control and management.

#### Key Requirements

The candidate should preferably have a degree in accountancy or management, and must have had at least five years' experience in the risk management area related to credit card or retail financial services. The incumbent will be based in Bangalore, must have an understanding of the Indian market and possess excellent inter-personal and team management skills.

#### Future Deployment

This is a senior position in the Standard Chartered Group structure and a successful incumbent could expect in future, to take on responsibilities within the Asia Pacific region where the Group's principal strengths lie.

This position offers an attractive package. If you are interested in this challenging role, please apply to Jean Collins, Human Resources Department, St. Clements House, 27-28, Clements Lane, London, EC4N 7AF, within 2 weeks, enclosing a full c.v. and your salary expectations.

Standard Chartered

### CORPORATE FINANCE

The client, a leading fully integrated investment bank with significant global presence, is enjoying considerable growth and development within the Corporate Finance department. To consolidate this success and accelerate market penetration a number of key appointments have been identified.

**Asst. Director c£65,000** As part of the Financial Institutions Group, your role will be both the origination of deals and the management of the transactions. Deal types are primarily M&A advisory across a broad sector spread including Banks, Building Societies and Insurers. You will be able to demonstrate a significant track record of success in this area.

**Asst. Manager c£42,000** A number of opportunities exist at this level dealing with a variety of industry and country sectors for candidates possessing 2 years+ corporate finance M&A experience and ideally ACA 1st time passes from one of the 'Big Six' firms.

In addition to attractive salaries all positions offer excellent bonus potential and the opportunity for extensive career progression. For further information and a confidential discussion please contact David Goodrick or Julian Davy

#### Prime Executive

Bell Court House, 11 Blomfield Street, London EC2M 7AY  
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### FINANCIAL CONSULTANTS Projects in Developing Countries

#### THE FIRM

A consulting firm specialising in projects in developing countries involving the establishment and strengthening of financial institutions and capital markets, privatisation and public sector reform. The firm is associated with an international Group represented in several countries.

#### THE CANDIDATE

An experienced manager in the banking securities or insurance industry, having performed projects in operations, finance and/or accounting or finance, or having participated in projects in privatisation or public sector reform. A university degree or professional designation is an advantage. Languages in addition to English also a benefit. Willing to work on short or long-term projects as a member of a project team. Compensation commensurate with the role to be performed on a project.

Please send your resume in confidence to:  
Box Number A5122  
Financial Times, One Southwark Bridge,  
London, SE1 9HL.

#### Full Charge Accountant/Controller

The Asian Crossroads Loan Company ("ACLCL"), a subsidiary of the Central Asian-American Enterprise Fund seeks "hands-on" Accountant/Controller.

ACLCL extends small business loans in countries of Central Asia and seeks Accountant/Controller experienced in banking/financial institution record keeping. Incumbent will reside in Uzbekistan with substantial travel to other countries in the region.

Ideal candidate will be fluent in Russian and have several years of progressively responsible experience in hands-on bookkeeping, accounting, Accounts Receivable/Payable, loan income/payment processing, and PC LAN based accounting systems. Strong MS Word/Excel experience required.

This is single incumbent, hands-on position offering significant experience/responsibility for right individual. Significant growth and learning potential for enthusiastic, hard working individual. Minimum 18-24 month commitment required. CAAEF offers a comprehensive salary/benefits package but does not include spouse or dependent allowances.

Interviews to be held in late July. Resumes can be faxed to ACLCL at US Area Code 703, fax number 560-7531.

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If you take up this challenge and market this software successfully in the UK we will offer you a fixed income and high commission on sales. You will train closely with our Paris team after receiving intensive product training.

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One Southwark Bridge, London SE1 9HL or Sylvie Marin, Fax: 33 1 44 53 23 20.

### ASSISTANT MANAGER, BANKING

A major global private bank, with over 30 offices in 16 countries world-wide, is currently seeking to recruit an Assistant Manager who will assist with the management and development of the International Banking Services in the Isle of Man.

Candidates should have extensive experience of onshore and offshore international banking combined with a solid professional education to degree level, have ACIB or other equivalent professional qualifications, and be fluent speaking in both the French and German languages. In particular candidates need to demonstrate a high level of specialised knowledge in dealing with Fiduciary Deposits and products.

An attractive benefits package commensurate with a leading financial institution will be offered. If you wish to be considered for this position please forward a detailed curriculum vitae, to arrive no later than Wednesday 31 July, to:-

Box A5123,  
Financial Times  
One Southwark Bridge  
London SE1 9HL

#### Custody Product Development EAAE

Leading International Bank currently seeks to recruit an experienced Relationship Manager with an in-depth knowledge of Global Custody products and markets. The role involves devising and marketing the Bank's Custody Services and Products to a broad range of clients, analysis of markets and the coordination of Sales and Relationship Management teams. Excellent career prospects and package.

#### Risk Manager c£50,000

Suitably senior and experienced individual is required by a leading City Bank to undertake responsibility for both market and credit risk management. Candidates will be educated to degree level and possess an accountancy qualification, combined with an understanding of processing and valuation methodologies. Strong IT skills will be required to successfully assist with system implementation.

#### Credit Manager c£50,000

Prestigious International Bank seeks a degree educated individual with 5-7 years' credit analysis experience, covering the Corporate Sector. Duties will include detailed analysis of proposals, reviewing structured deals, managing documentation and counterparty exposure. The successful candidate will have strong analytical skills and possess the desire to work in a dynamic and changing environment.

#### Private Client Fund Manager c£50,000

City based Bank seeks to recruit an individual with c.3 years' Private Client portfolio management experience to join a young, dynamic European team. Responsibilities will include the management of client finances, assets and investment decisions within a multi-currency environment. Applicants must possess European language skills, and a familiarity with portfolio valuation systems.

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### ACCOUNTANCY APPOINTMENTS

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Birmingham

### Finance Director

A new position with partnership status at the heart of one of the UK's leading national law firms with 650 staff and offices in Birmingham, Leeds, London and Brussels. The firm provides its corporate clients with the full breadth of services-led legal advice in a cost-effective manner, whilst maintaining the professional disciplines and quality thresholds of the larger City firms. The age profile is young and the culture commercial, positive and unstuffy. Challenging remit to help steer the firm during a period of growth and development by providing the financial management framework to ensure efficient financial control and post-merger cost benefit.

#### THE ROLE

- Member of the Management Committee, responsible to the Senior Partner for the financial management and smooth day-to-day administration of the business.
- Consolidate and centralise the support services departments, raising the level of their contribution to the partnership and maximise benefit from its major and continuing investments in IT.
- Provide financial input and contribute to strategic decisions, business plans and budgets in the context of a rapidly changing legal market.

#### THE QUALIFICATIONS

- Professionally qualified graduates with strong financial control, management accounting and information systems skills. Track record which demonstrates commercial acumen and success as a manager, problem solver and agent of change, probably in a professional services firm.
- A self-starter with a hands-on approach, a real eye for administrative detail and the highest quality standards. Familiar with the selection and deployment of information systems.
- Enthusiastic, energetic and imaginative with the personality, intellect and stature to operate successfully at all levels in a partnership culture. First-rate interpersonal, communications and diplomatic skills combined with the determination, objectivity and inner steel to champion best practice.

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London 0171 493 1238  
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16 Chancery Place,  
London EC2A 4EX

c. £80,000 package  
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Surrey

### Finance Director

Realisation of the first phase of a stretching strategy for growth and geographic expansion has created a new role in this highly profitable £100 million+ turnover subsidiary of a major UK-listed international group with a turnover approaching £2 billion. Demanding challenge for a talented finance professional to provide a solid foundation from which the business could double in the short term via organic growth and European acquisition.

#### THE ROLE

- Creating a divisional finance framework to support operating company Finance Managers and provide consistent financial controls and reporting measures to enable further rapid growth throughout the European business.
- Leading best practice initiatives on broader commercial matters, e.g. profitability working capital management to maximise current business performance. Evaluating and integrating cross-border acquisitions, liaising with Group and third party advisors.
- Developing the IT function to deliver cost-effective solutions to the operating companies.

#### THE QUALIFICATIONS

- Ambitious and diligent graduate Accountant, ideally with a second business qualification, aged early 30s+.
- Strong financial management and IT skills gained from a dynamic, global, blue-chip, multi-site manufacturing or distribution business. Fluency in French or German highly desirable.
- Quick-witted, flexible and resourceful manager comfortable in dynamic, open and evolving management structures with first-class interpersonal, leadership and negotiation skills.
- Commercially focused and able to make a management contribution across the business. Sense of humour and the ability and desire to progress in the medium term, potentially into general management.

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London 0171 493 1238  
Manchester 0161 499 1700

Selector Europe  
Spencer Stuart

Please apply with full details to:  
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### European Analysts

South East or North West England

Excellent Package

Our client is the European division of a global consumer products company whose expansion in recent years has been outstanding. Annual sales, world-wide, are now in the region of \$14 billion. The potential for further growth, both domestically and throughout the world, has never been greater.

Against this background, the company is looking to recruit a number of top quality Business Analysts to join the European business finance team.

The task is to provide business unit managers with sound commercial analysis of existing operations, to evaluate new business opportunities and to contribute to the development and implementation of future business and financial strategies across Europe.

Probably in your late 20's, you will be a graduate qualified accountant or an MBA and will already have had several years' experience within the

corporate planning or finance function of an international manufacturing business.

A good communicator, orally and in writing, you will have proven analytical and financial skills, combined with the self-confidence and maturity to operate effectively at all levels of the organisation. Experience of working in a continental European location would be a distinct advantage as would the ability to speak more than one European language. Fluency in English is essential.

This is an excellent career opportunity for high-potential individuals and it offers a remuneration package to be expected of a major multinational business.

Please reply in confidence, enclosing a full curriculum vitae, current salary details and quoting reference B1984, to:

Alexander Hughes Selection  
58 St. James's Street, London SW1A 1LD

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A line role within a maximum of two years is guaranteed, either UK based or overseas. Although relocation is not necessary, you will be required to be mobile within the job, as you will be working within an operational trouble-shooting facility. You must be an innovative and confident individual and be seeking a challenging first move from practice.

If you feel you have the qualities required, please telephone Lucy Blakemore or Anita Allison on 0161-831 7127. Alternatively, send your CV to them at the address below.

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28 Spring Gardens, Manchester M2 1EA  
Tel: 0161-831 7127 Fax: 0161-832 9123

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## LEADING UK RETAIL GROUP EXCITING DEVELOPMENTS IN EASTERN EUROPE

This £3.5bn turnover, household name retail organisation is planning significant expansion of its existing business in Eastern Europe, through both managed stores and franchises. These two key appointments are designed to ensure that commercial opportunities are exploited to the full and controlled through strong local and international reporting systems.

### FINANCE DIRECTOR to £80,000

**+ executive benefits + bonus**  
This is a critical, high-profile role. To maximise your contribution in this position, you should be able to offer:

- an exceptional record of commercial success at strategic level
- a broad capability in finance, IT, asset management and fiscal/legal issues
- a determined, assertive, influential personality

International experience of complex multi-site operations, possibly including retailing, franchising and consumer brands, would be of particular interest. You will work from a UK base with extensive overseas travel. Ref: 889

### FINANCIAL CONTROLLER to £40,000

**+ expatriate benefits + bonus**  
The accent here is on safeguarding the company's assets while achieving the highest standards of information integrity. You will be skilled in developing and managing:

- robust, responsive reporting and control systems
- dual currency accounting systems
- committed, competent support teams

You will be confident and adaptable, enjoy the challenge of an unfamiliar culture and thrive in a fast-moving, customer-focused environment. You will be based overseas on a full expatriate package. Slavic or other foreign language is a plus. Ref: 890

The company offers outstanding prospects for further career growth across a number of diverse business divisions, management disciplines and international locations.



THE GRAPTONS, STAMFORD NEW ROAD,  
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Please send your CV, including latest salary, to Dudley Harrop at Ashley Search & Selection, quoting the relevant ref. no.

## FINANCIAL CONTROLLER

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- Reporting to the Finance Director and with strong links into the business, your brief is to ensure the function is seen to add value and contribute to overall business performance.
- Wide ranging and challenging role covering planning and performance analysis, statutory accounting, financial control, cash management and treasury.

- Probably in your thirties, a bright, graduate calibre qualified accountant, with strong financial and management accounting experience gained within a progressive blue chip company. Good intellect with rounded business awareness and a record of enhancing business performance and efficiency.
- Previous service sector experience is not a prerequisite, but must be commercially orientated with strong analytical skills, gained in an operational environment with a rigorous approach to quality.
- Ambitious, focused and energetic, with a proactive, robust but diplomatic approach; must promote high standards and set stretching objectives. Good presence, a team player who is credible at all levels within an organisation, seeking a stimulating environment in which to develop.

Please apply in writing quoting reference 1097 with full career and salary details to:  
Susan Ryder  
Whitehead Selection Limited  
11 Elm Street, London W1Z 8BN  
Tel: 0171 290 2043  
http://www.gmcc.co.uk/whitehead



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## CONTROLLER - GROUP ACCOUNTING

LOGISTICS  
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This European group of businesses, with a turnover in excess of £200m is a market leader in logistics solutions. The profitable group is achieving growth organically and through selective acquisition.

Heading up the Group Accounting Centre, and reporting to the Group Financial Controller, you will be managing a team of 30 people and carry full day to day financial management responsibility for the running of the centre. The business units currently administered have a turnover in excess of £250m. You will be expected to bring a fresh commercial outlook to improving the service to business users

and increasing efficiency.  
A Chartered Accountant with good man management experience and a detailed awareness of computer systems, you must have excellent communication skills and the ability to implement change. The successful candidate will have no less than five years post qualification experience. This exciting opportunity offers realistic career progression for the right individual.

Please send a CV to Howgate Sable & Partners, Atterholt House, Parsonage Gardens, Manchester M3 2LF. Tel: 0161-639 2000, Fax: 0161-639 0064, quoting ref: FT2244W.



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## FINANCE DIRECTOR

An exciting and challenging new role has been created in one of the most beautiful countries in Southern Africa.

Working for one of Botswana's brand leading food manufacturers the Finance Director will have total responsibility for the financial affairs of a highly profitable US \$44 million Group. Operating companies activities include:

- the manufacture and sale of wheat flour, pasta and biscuits
- the packaging of grain products
- the pre-packaging of salt, rice and beans
- the manufacture of a range of bakery products
- the manufacture of woven polypropylene

Applications are sought from UK Qualified Accountants, with appropriate experience, interested in a two year, renewable contract.

**BOTSWANA**  
c£60,000  
PACKAGE

based in Ramotswa, a short distance from Gaborone the capital of Botswana.

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  - full housing allowance
  - 25% bonus on completion of contract (tax free)
  - annual salary review
  - schooling for children, locally or internationally, up to age of 18 years
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To obtain details of this exciting opportunity then please contact Roger D Tipler on 0171 831 8383 (Fax: 0171 831 9571). Or write to him, in confidence, enclosing a full c.v. at CEDAR International, 15 Bloomsbury Square, London WC1A 2LJ.



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## CHIEF ACCOUNTANT

LONDON

£80 - 70,000 + EXECUTIVE BENEFITS

Established in 1983, we are a leading service company within the oil industry. Our main activity is the procurement of goods and services for the Libyan oil sector, totalling about £400 million per annum. Subsidiary activities include the recruitment of personnel for employment in Libya, and sourcing educational programmes for the training of Libyan staff in the UK and elsewhere.

We wish to appoint a Chief Accountant, to replace the present incumbent who is retiring.

You will have a financial and accounting background with at least five years' management experience, and will have worked in the oil and gas industry preferably in Africa or the Middle East. Experience of dealing with the Arab business world is essential. The position reports directly to the Chief Executive in London, and will have responsibility for an accounting/treasury function of some 40 people. The role will include active management of accounting procedures and controls, treasury activities and IT systems. There is extensive liaison with client companies in Libya and also related group companies in the UK, Cyprus and Canada, engaged in oil and gas project management, and applicants must be willing to travel when required.

The role thus calls for a mature individual who is able to combine diplomacy needed in client liaison with a pragmatic approach to problem solving. Our preferred age range is 40-50.

Please send full career details, including current remuneration and daytime telephone number to Gerald John, Head of Recruitment and Personnel, Jawaby Oil Service, 15-17 Lodge Road, London NW8 7JA.

**JAWABY OIL SERVICE**

## CORPORATE FINANCE DIRECTOR - FOODS

Excellent Tax Free Package

The Company

Middle East

Already one of the most successful, fast growing Food Groups in the Middle East, our client has a wide portfolio of businesses principally in the Middle East, Africa and Europe, they are destined to become one of the world's major producers of food products by the year 2000.

The Position

- A high profile role directing and managing group finances.
- Developing and implementing financial strategy.
- Actively supporting international growth through the existing business, new ventures and acquisitions.
- Reviewing developing and implementing a financial management structure to underpin this growth whilst maintaining tight financial controls.
- As a key member of the management team be expected to provide a high level of support to fellow board members.

The Person

- Professionally qualified with 10 years experience in major international FMCG manufacturing, preferably in the food sector.
- First-hand experience of overseas operations preferably including some time in the Middle East.
- Experience of acquisitions and the monitoring of satellite operations.
- Able to manage change with confidence.
- Qualities - Innovative, resilient, persuasive, tenacious, having outstanding communications skills and a high degree of computer literacy.

Please send a full c.v. quoting reference FD007236 to: Group Personnel Director, C/o Trulink Appointments, Willow House, PO Box 422, Chalfont - St. Giles, Bucks. HP8 4AT Fax +44 (0) 1753 553455.



## FINANCE & OPERATIONS CONTROLLER

Holland

Excellent package

Quaker Oats is a large multi-national US corporation with worldwide sales exceeding \$6 billion in 1995. Quaker is a key player in the European cereals market and products include Quaker Sugar Puffs, Harvest Crunch, Quaker Oats, Crisps and Solgryn. The Financial Controller for Holland reports into the Plant Operations Manager with a secondary report into the European Controller in the UK, and has a very high profile in the business. Due to extensive restructuring across Europe the need has arisen to recruit a highly capable individual to act in a financial and management capacity to add value to this growing business.

- Key Responsibilities:**
- Full autonomous control and management of the finance function in Holland.
  - Budgets, forecasts and variance analyses.
  - Enhance the plant's success through contribution to improvement programmes.
  - Provision of management information and implementation of cost improvements.
  - A key member of the Plant Management team supporting the business process.

Suitable candidates will have at least three years experience within a manufacturing environment and an excellent understanding of standard costing, controls and financial/management accounting. The role also requires a good knowledge of systems. Prospects are excellent for candidates keen to progress.

Please send your CV in triplicate to: Morgan McKinley Associates, Rankin House, 40/41 Museum Street, London WC1A 1LT. Tel: +44 (0)171 404 4100. Fax: +44 (0)171 404 4354.

## INTERNAL AUDIT MANAGER

Circa £40,000 plus Benefits

Perpetual, based in Henley, is one of the UK's most respected investment management groups. As part of our commitment to setting and achieving high standards within the fund management industry, we wish to augment our Technical Department.

The main purpose of the role will be to review the departmental working practices of the Group, including its complex automated systems, from an operation and financial perspective. Also to assess the adequacy of the control environment within the Group and monitor that controls are sufficient to ensure compliance within IMRO and PIA regulatory environments.

The individual we are seeking will be given every opportunity to exhibit their technical and personal skills in a high profile department within a market leading fund management group. They will liaise closely with the Managers in the department, report to the Technical Director and build a team of three staff.

If you believe you have the necessary skills to make a positive impact within this highly professional and personal environment please send your curriculum vitae, quoting Ref: FIMGH, to:

**SAMMONS ASSOCIATES**  
Executive Search & Selection  
Poupart House, 46 Fish Street Hill,  
London EC3R 6BR  
Tel: 0171 293 7040  
Fax: 0171 623 6011



## APPOINTMENTS WANTED

**SWITZERLAND**  
Senior Internal Audit  
Senior Internal Auditor

professionals with many years varied world business experience (banking, services & utilities industries, Swiss & Ben, working German & French. Currently travelling 75% for a global company & 25% base work from his own office in Zurich desires a more challenging senior, or a permanent/contract role.

Write to Ben AS&P, Financial Times, One Southbank Bridge, London SE1 9YL.

## ADVERTISING

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For further information please contact:  
**Toby Finden-Crofts**  
+44 0171 873 3456



## AMSTERDAM-THE NETHERLANDS EUROPEAN MANAGER FINANCIAL SYSTEMS IMPLEMENTATION

Our client is the European Head Office of a US multinational, one of the major players in the logistics service industry, with operations in the United States, Canada, Mexico and throughout Europe.

As a result of strong expansion in the European operations, they have an immediate need for a high calibre European Manager Financial Systems Implementation for the centralised European Finance department. Reporting directly to the European Financial Director, this position offers a high degree of responsibility and exposure to executive management. Career development opportunities are excellent.

The main responsibilities will be:

- management of highly skilled and motivated team

- planning, project management
- European coordination and strategic management of the Financial systems development
- continuous optimization of procedures, business process improvement
- ongoing liaison role with the user Community
- development of automation to streamline the accounting closing process

The successful candidate will need to be a qualified accountant (RA/CPA/ACA) with at least five years relevant experience working for one of the 'Big Six' and/or a multinational. There is a strong preference for candidates with a strong financial systems background in a client-server environment with US GAAP knowledge. This individual must have strong analytical and

communication skills in addition to proven management qualities and a drive for results. You must be able to work under pressure, to tight deadlines in order to gain the respect and confidence of senior management. The business language is English, but a second European language is desirable. Furthermore he/she should be prepared to travel internationally.

To express your interest in these opportunities, please send, fax or E-mail your updated curriculum vitae to: Elisabeth M.M. Huigen, Robert Walters Associates, 'Rivierstaete', Amsteldijk 166, 1079 LH Amsterdam, The Netherlands. Tel: 00-31-20-644 4655, E-mail: elisabeth.huigen@robertwalters.com or Fax: 00-31-20-642 9005.

ROBERT WALTERS ASSOCIATES



L O N D O N W I N D S O R N E W Y O R K A M S T E R D A M B R U S S E L S S Y D N E Y W E L L I N G T O N

### Group Operations Executive

WEST END C.£45K PLUS ATTRACTIVE PACKAGE

Our client, Pantheon Holdings, is a highly dynamic independent investment management group, specialising in investing in private equity funds worldwide. With offices in London, San Francisco and Hong Kong, they currently have over \$1 billion under advice and management.

Due to continuing success, the company requires a proactive and commercially aware Group Operations Executive. Reporting directly to the Group Finance Director, your prime responsibility will be to review and develop business systems and practices across the Group. As a key member of the head office team, you will be expected to make a significant contribution to the overall development of the business.

It is essential that you are computer literate and have "hands on" experience of back-office operations. Demonstrable success of designing and implementing business systems, ideally within a service orientated niche organisation, is required. The ability to assimilate key information quickly and communicate fluently, both orally and in writing is also important as are excellent interpersonal skills and the capacity to operate effectively within a small international team.

If you are a self motivated and enthusiastic individual and can rise to the challenges of this exciting environment, then please write enclosing full personal and career details to: Suzanne Dobinson, Management Consultancy Division, Robson Rhodes, 186 City Road, London EC1V 2NU.

ROBSON RHODES

RSM  
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Chartered Accountants

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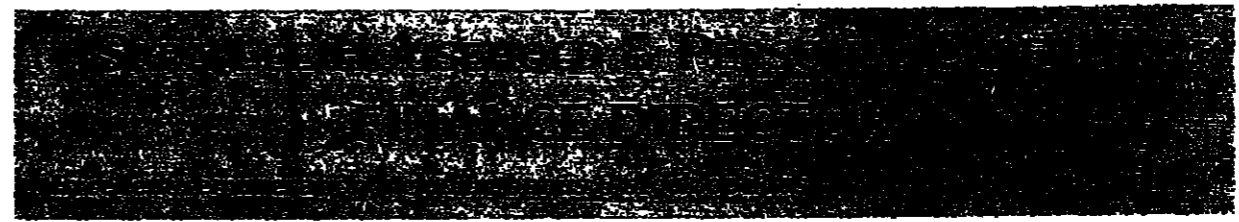
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For further information

please contact:

Toby Finden-Crofts

+44 0171 873 3456



Sara Lee Household & Personal Care UK, part of the Sara Lee Corporation of the USA which has global sales of \$18 billion, is a market leader in its sector with sales approaching £100 million in its UK and export markets. The company manufactures and markets a prestigious product range which includes Badedas, Brylcreem, Radox, Showerfresh, Kiwi and Vapona. An exceptional Finance Director is now sought to join the UK management team. Opportunities for career development, whether in the UK or elsewhere, with this first-class, strong growth company are excellent.

#### The Position

- Report to the Managing Director with strong functional dotted line to the divisional headquarters in Utrecht and liaison with other Sara Lee UK Finance Directors.
- Responsible for the financial function and for the information technology/business systems group.
- Produce the company's annual and long range operating plans.
- Contribute to overall business policy formulation, strategy and operating decisions as a member of the Executive Committee.

#### The Requirements

- Must have a relevant accountancy qualification and preferably a university degree.
- Demonstrable track record of senior level financial planning and control in FMCG sectors and manufacturing environments.
- IT literate.
- Strong team player with an outgoing personality.
- Language skills (e.g. second European language) would be an advantage.

Please send your CV with current salary details to: Geoffrey Mather, K/F Associates, 252 Regent Street,

London W1R 6HL quoting ref: 10186/B. Alternatively send by fax on 0171 312 0020 or e-mail to cv@kfaeurope.com

Internet Home Page: <http://www.kfaeurope.com/kfaeurope/>

K/F ASSOCIATES

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EXECUTIVE SEARCH & SELECTION

## Internal Auditor with personality Mission Impossible?

c. £40,000 + outstanding benefits

Central London

We have been told that it's a bit of a contradiction in terms: they keep telling us that we can have one or the other, but not both; that audit training is best done at Clapham Junction; that an auditor's preferred dress includes something rather sensible and waterproof...

We don't believe them. We know you're out there somewhere. Prove us right.

Those of you who are happiest with your nose buried in a technical manual will not, on this occasion, find your way onto our shortlist. If, on the other hand, you are a charismatic and people-oriented audit manager who knows how to achieve positive change, we should talk.

You don't perhaps see Audit as a career for life, yet you certainly do see its immense value as a business tool - and have a talent for demonstrating and communicating that conviction to staff at every conceivable level.

So consider this rare challenge, which requires you to raise the profile and revitalise the fortunes of a strong but misunderstood audit department - by re-educating and redirecting those within and without it. Specifically, you will need to identify new internal controls, train and develop your own team, and prepare and achieve your annual plans.

An inspiring and business-oriented professional, you must have a solid audit background - ideally gained within financial services, but not within a tightly

regimented environment. As well as an accountancy qualification and some systems experience, you would benefit from some consultancy exposure and a first-hand knowledge of implementing change. Above all, you are happy to stand (and rise) by your convictions - without constantly resorting to any manual.

In return we offer the opportunity to run your own show at the heart of a company that believes in itself and its future direction; one that is committed absolutely to its clients, but recognises also that our staff are our lifeblood, and encourages teamwork with an open, participative management style.

If you feel that you can match our expectations and put the anorak cliché to the sword, write to our advising consultant, David Hunter, quoting reference L/1664, at the address below.

Executive Search & Selection,

Price Waterhouse,

No 1 London Bridge,

London SE1 9QL.

Fax: 0171 403 3265.

E-mail: David.Hunter@Europe.notes.pw.com.

## Manufacturing Finance

Global role -  
European base

c.£80,000 + Benefits

This is an exceptional worldwide role based in Switzerland for a Finance Manager with substantial manufacturing cost control and analytical knowledge gained in an fmeg or process industry environment.

The person appointed will head a small team and will be responsible for providing financial support and guidance to manufacturing management on a global basis; developing new management tools to monitor production costs and to fundamentally re-appraise the cost base; providing financial information and guidance to the group optimising global manufacturing strategy; developing the concept of activity based management and activity based costing; and providing technical support and training to the controllers at manufacturing plants.

Candidates must be University Graduates with a recognised costing qualification and the stature to operate across the upper echelons of a major multi-national. At least 10 years post qualification experience gained in the manufacturing arm of a relevant multi-national, including the manufacturing plant controller role are essential. The ability to speak a second European language, preferably German, and experience of operating in more than one country are also needed. Salary will not be a limiting factor for the right candidate.

Age guideline 40-45.

Please reply in confidence quoting ref: L613 to:

Brian Mason  
Mason & Nurse Associates  
1 Lancaster Place, Strand  
London WC2E 7EB.  
Tel: 0171-240 7805.

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## Support Manager

Central London

c. £35,000 + Car + Benefits

Our client is a major force in the global market for the provision of accounting services and management consultancy. The continued success of their consultancy operation is only possible because of constant development and improvement of internal financial reporting and the co-ordination of support services within the business. This role plays an essential part in this process.

#### Key responsibilities of this role:

- Provision of management information eg. complex resource planning, utilisation and forward revenue forecasting against budget.
- Assisting consultants in accurate and timely assignment planning.
- Liaison with the finance department in reference to billing, cash collection, consultants time-sheets and expenses.
- Presentation of analyses with commentaries to senior consultants and partners.

The successful candidate:

- Educated to degree level and likely to be over 30 years old.
- At least part qualified in any recognised accountancy qualification, the preferred candidate will have a good understanding of service culture.
- A proven ability to interpret management information and highlight priority actions will be paramount.
- Strong communication skills, tact and persistence will prove key personality traits in this demanding role.
- A familiarity with various PC systems and excellent PC skills are essential.

Interested applicants should apply in writing to Guy Stacey at Michael Page Finance, Page House, 39-41 Farker Street, London WC2B 5LH, quoting reference 29994.

MP

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